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# Intellectual AMMUNITION

*On State and Local Issues*

## Potshots

■ If nature had as many laws as the state, God Himself could not reign over it.

THE JOY OF JEWISH HUMOR

■ The health of a democratic society may be measured by the quality of functions performed by private citizens.

ALEXIS DE TOCQUEVILLE

■ People go to ruin in three ways: women, gambling, and farming. My family chose the slowest one.

POPE JOHN

■ The first rule of holes: When you're in one, stop digging.

MOLLY IVINS

■ An editor is one who separates the wheat from the chaff and prints the chaff.

ADLAI STEVENSON

■ The truth must be repeated again and again because error is constantly being preached around us.

JOHANN WOLFGANG VON GOETHE

■ All the progress of men and nations is based upon sacredness of contracts.

C.W. BARRON

■ Recipe for success: Rise early. Work late. Strike oil.

J. PAUL GETTY

■ Speak the truth, but leave immediately after.

SLOVENIAN PROVERB

## The BLACK HOLE of Environmental Regulation

Environmental regulation is rapidly becoming a bureaucratic black hole, consuming thousands of businesses and absorbing a growing share of city and state budgets. Unless something changes, and soon, millions of jobs will be lost, public funds will be diverted from critical programs, and real environmental hazards will be left unaddressed.

A June editorial in the prestigious magazine, *Science*, titled "Pathological Growth of Regulations," reported that local governments are now required to comply with 419 "essential" environmental regulations and to monitor more than 130 chemicals in their water supplies. "Not only do the local governments not have the money to carry out environmental mandates," writes the editor, "they frequently do not know what it is they are supposed to implement." The magazine reports instances where municipal costs of complying with environmental regulations "exceeded EPA estimates by a factor of 20 or more."

Washington seems committed to making things worse. EPA Administrator Carol Browner warned in July that parents could be held legally accountable for exposing their children to secondhand cigarette smoke. Also in July, the EPA released a "rough calculation" that 50,000 to 60,000 deaths a year are caused by soot in the air. The EPA's chief of air pollution policy told *The New York Times* that the new data may mean "our efforts to control particles and our acid rain initiatives will not be enough. We will have to do more."

*"Do more"?* Citizens for a Sound Economy, a Washington-based taxpayer advocacy organization, estimates that the 1990 Clean Air Act will cost businesses $200 billion to install and operate scrubbers and $34 billion over five years to comply with EPA permitting requirements. And this is only part of the cost of implementing the act.

*(Continued on Page 3)*

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*Tools For Political Survival*

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Intellectual AMMUNITION
On State and Local Issues

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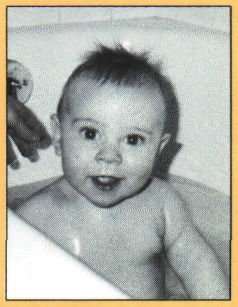
THE HEARTLAND INSTITUTE

# NEWS FROM THE Heartland

## BY JOSEPH BAST, PUBLISHER



The young bather pictured here is Nicholas Ver Voort, son of Dale and Heather and one of a dozen or so of my young nieces and nephews. Since they are, without exception, far cuter than I am, their faces will appear in this space in the future.

As you may have noticed, over the summer we interrupted the regular publication schedule of *Intellectual Ammunition* to send you a special issue of *Chemecology* magazine containing a reprint of Keith Schneider's *New York Times* series on environmental regulation. I hope you found time to read it: Schneider's expose of many enviro-scams marks an historic change in how the national media views environmental hazards. It also helps vindicate many of the ideas and research findings that have appeared in past issues of this magazine.

We're happy to get back on schedule with this edition. Some facts appearing on these pages really grabbed my attention. On the topic of environmental regulation, I was amazed to learn that local governments are required to comply with 419 "essential" environmental regulations (how many "non-essential" ones are there?) and to monitor the presence of more than 130 chemicals in their water.

Regarding families, did you know (before reading about it on page 10) that 700,000 families are investigated *and cleared* of charges of child abuse each year? Good God! Nearly a million families torn apart by untrue accusations *every year*!

The statistics on crime reported by Robert Rector on page 16 are stunning: one murder every 21 minutes, one rape every 5 minutes, a robbery every 46 seconds, and a motor vehicle theft every 19 seconds.

The publication reviews starting on page 17 are so full of startling facts and statistics that pulling out just one is difficult to do. One that really got me thinking is on page 28: The federal government owns 440,000 buildings and occupies 2.8 billion square feet of office and warehouse space. That's simply incredible.

All these numbers paint a rather disturbing picture of America at the end of the 20th Century. Billions of dollars are being wasted, and precious civil liberties endangered, chasing after nonexistent threats, while violent crime in our cities and neighborhoods seems to grow unchecked. Government keeps growing and growing and growing, but what good is it doing?

Am I a "conservative" or "libertarian" for expressing this frustration? Hardly. There are millions of Americans who call themselves Democrats, Republicans, or Ross Perot fans who are aware of the failure of government institutions to deliver either justice or quality services. They may not know how many buildings the federal government owns, or how many crimes are committed every minute, but they see the waste and know their streets are becoming less safe every day.

*Intellectual Ammunition* is produced to prompt its readers to do something that might improve our condition, even if only by a little. Terminating ineffective programs and eliminating unnecessary regulations might be a good idea, regardless of your political party. One thing, though, is obvious: If Nicholas Ver Voort is going to grow up in a safe and prosperous world, we'd all better get cracking. ■

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# The BLACK HOLE of Environmental Regulation

(continued from page 1)

Something has gone terribly awry here. While a finger could be pointed in many directions, possibly the biggest culprit of all is the misuse of science by the national EPA, OSHA, and some elements of the environmental movement.

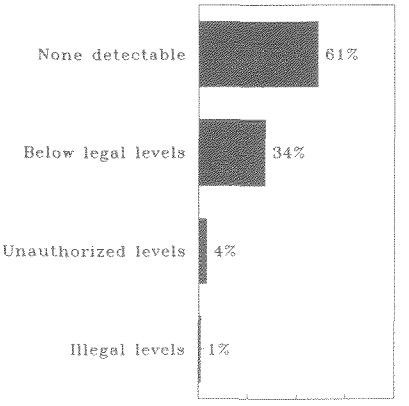
The past few years have seen several supposed environmental hazards exposed as frauds. Alar, asbestos, radon, and acid rain were all proclaimed to be major health threats, only to have the level of risk dramatically scaled back after mainstream researchers and scientists exposed the faulty science used by environmental activists. The pattern seems to be repeating itself with global warming, the hole in the ozone, and pesticides. No sooner is one "crisis" debunked than another is announced.

The EPA is the source of much of the inaccurate research. Last year, an independent advisory committee reported that "EPA science is of uneven quality, and the Agency's policies and regulations are frequently perceived as lacking a strong scientific foundation." Moreover, "[EPA] does not have a uniform process to ensure a minimum level of quality assurance and peer review for all the science developed in support of Agency decision making." "Science should never be adjusted to fit policy," concluded the committee. "Yet a perception exists that EPA lacks adequate safeguards to prevent this from occurring."

In January, the EPA proved its advisory committee correct on all counts when it classified "environmental tobacco smoke" (ETS) a Group A carcinogen. A congressional investigation has exposed severe abuse of the scientific process by EPA, including: giving EPA staff reviewers just 11 days to conduct peer review, and then ignoring highly critical comments; ignoring many scientific studies (including one by the National Cancer Institute published in November 1992) finding no significant link between ETS and cancer; using an unusual and controversial statistical method, called meta-analysis, to combine a large number of studies with widely varying methodologies and levels of credibility; and even dropping the standard 95 percent confidence interval to 90 percent.

Even with all these tricks and evasions, EPA still could establish a risk factor of just 1.19 for second-hand smoke, lower than what most epidemiologists would consider meaningful and lower than the risk factors found for many other substances, *including common drinking water.*

1989 FDA Food Monitoring Report: Pesticide Residues at Harvest




Source: Washington Post, December 14, 1989.

In March, a similar controversy broke out over OSHA's decision to label common beach sand a carcinogen. According to researchers who worked on the issue for the National Institute for Occupational Safety and Health, four previous drafts of the report found no significant link to cancer, nor had previous surveys of scientific research conducted by other researchers. The reversal, according to these scientists, was a clear instance of making science fit the preconceived regulatory agenda of OSHA.

Bad science imposes high costs on businesses and taxpayers by claiming to find risks where none exist. More costs are incurred when bureaucracies demand compliance with rules and regulations that are enforced without regard to costs.

**Is there a way out of the environmental regulation black hole?** Certainly the recommendations of the advisory committee to the EPA are an important part of a solution. Forcing the EPA to conduct realistic cost-benefit analysis is another. So is the adoption of a moratorium on new environmental regulations until past regulations are interpreted, understood, and complied with.

A long-term solution will require that we change the way we think about environmental problems and how best to solve them. Three changes, especially, are needed: A commitment to using sound scientific methods to evaluate environmental hazards; an admission that a dollar spent cleaning the environment is a dollar not available to spend on other needs, some of which may be much more urgent; and a recognition that a *partnership relationship* — rather than an adversarial relationship — between the private sector and public sector is more likely to produce cost-effective environmental programs.

A joint venture between the EPA and Amoco Corp., for example, revealed that a refinery in Yorktown, NJ could achieve the same pollution reduction by spending $11 million in ways its owners saw fit than by spending *$51 million* complying with EPA regulations.

Fortunately, a new paradigm of environmentalism, based on partnership relationships, real science (not hype), and real-world tradeoffs, is slowly gaining adherents. *New York Times* environmental reporter Keith Schneider, for example, wrote about it in a remarkable series of essays earlier this year. Whether a new consensus will emerge in time to prevent the waste of additional billions of dollars, and thousands more businesses being forced to close, remains to be seen.

# # #

*Joseph L. Bast is president of The Heartland Institute.*

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# What Is Meant by "Diversity"?

By Leslie Rose

*Life & Liberty*: A forum for the Directors and Governors of The Heartland Institute to share their personal philosophies and life experiences.

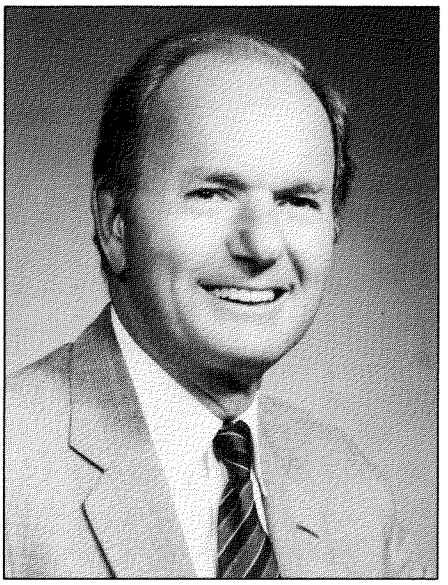
When President Clinton crowed about the diversity of his Cabinet nominees, some commentators quite properly noted that the claim was specious: Fourteen of the eighteen appointees are lawyers. But it seems to me that these commentators have not gone far enough in analyzing what a claim of diversity means — or doesn't mean.

If the President boasts about "diversity" in his Cabinet merely because it includes individuals of different race, ethnicity, religion, gender, etc., he seems to have adopted one of two common notions.

The first is that an individual can in some important way be defined by his or her membership in a particular group, and that members of certain groups inevitably have certain characteristics that are absent in members of other groups.

If a black male, for example, does not bring something unique to the table — something that is needed in the performance of his duties that a white male cannot possibly have — then no meaningful diversity is achieved by appointing a black man because of his color. In this case, speaking of "diversity" means that the President does, in fact, believe that whites and blacks are inherently different, not simply different in skin pigmentation.

I have trouble understanding why this view does not constitute stereotyping people, which used to be regarded by decent folk as a form of intolerance.



***"Diversity" must not be used to divide us, without making a positive difference in the way we view each other.***

None of this is meant to deny, of course, that there are cultural differences between groups. Such differences are valid only as an average, however. It may be true, for instance, that Italians are more "excitable" than Swedes. But even if this is true on average, it is also true that the *range* of excitability is just as great among Swedes as it is among Italians. There is no assurance that the Swede you choose for his supposed serenity will not prove to be more volatile than the Italian you didn't choose.

If you want diversity in meaningful human characteristics in a Cabinet, you can achieve it by picking all of the members from one ethnic group, as long as you pick carefully. Conversely, if you assume that picking members from different groups will assure diversity, you may be disappointed. Except for superficial characteristics, they may all be clones.

A second reason the President may be proud of his "diverse" Cabinet is that he feels it is crucial to give members of different racial or ethnic groups the sense that they are being represented by "one of their own kind." But there is something condescending in this as well.

As a Jewish white male, I reject the implication that Secretary of Labor Robert Reich — a Jewish white male — represents my interests in the Cabinet. I am convinced that my interests would be better served if instead "my representative" in the Cabinet were Thomas Sowell, a non-Jewish black male. Perhaps I am an idealist, but I think most citizens feel that "their kind" of Cabinet officer is one whom they admire for intelligence, leadership, diligence, or philosophy — not simply ethnic, racial, or gender background.

And if I am wrong to attribute such thoughtfulness to the American people, then the President should be using his "bully pulpit" to lead us *to* such an attitude, not away from it. Otherwise, he risks having "diversity" divide us, without making a positive difference in the way we view ourselves and each other.

# # #

Leslie Rose, a member of the Michigan Board of Governors of The Heartland Institute, has been Chairman of Fidelity Bank since 1971. He and his wife, Marjorie, were married in 1953; they have four children and three grandchildren.

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*Advertisement*

# H.L. MENCKEN IN HIS GREATEST GLORY

"I believe that any man who takes the liberty of another into his keeping is bound to become a tyrant, and that any man who yields up his liberty, in however slight a measure, is bound to become a slave.":
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**Organizations**

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# Anti-Pesticide Campaign: Alar All Over Again?

A well-planned media campaign leading up to the June 28, 1993 release of a pesticides report by the National Academy of Sciences (NAS) was coordinated and funded by several groups that helped orchestrate the Alar scare four years ago. The current anti-pesticide campaign, however, includes carefully qualified rhetoric and has the benefit of an administration sympathetic to the anti-chemical cause.

During the week prior to the NAS study's release, the Natural Resources Defense Council (NRDC) and the Environmental Working Group (EWG) released reports claiming that children are at risk from pesticides. Both, however, urged parents to continue feeding their children fruits and vegetables, a qualifier clearly intended to immunize the groups from charges of fomenting another scare campaign. Despite this disclaimer, the reports repeat widely discredited anti-pesticide claims made by NRDC and others against Alar, a chemical once used on apples.

The Environmental Working Group is the new name for the Center for Resource Economics, which has long opposed the use of pesticides in farming and has played a key role in farm legislation. EWG, according to its press release, is "a project of the Tides Foundation," a San Francisco philanthropy best known for its donations to peace activists and environmental extremists. The Tides Foundation also is a consistent and significant supporter of NRDC, giving it $35,200 in 1992 according to its most recent annual report. In fiscal 1988-89, Tides gave NRDC a grant to carry out a "pesticide reform media project" — a.k.a., the anti-Alar public relations campaign waged in 1989 by Fenton Communications for NRDC.

In calling for the reduction and elimination of what are known to be safe and effective pesticides,

> **The latest campaign against pesticides has the Administration's full support.**

NRDC and EWG were joined by nearly a dozen other organizations: Public Voice for Food and Health Policy; Farm Worker Justice Fund; Physicians for Social Responsibility; Consumers Union; Friends of the Earth (another Tides grantee); Audubon Society; World Wildlife Fund; Citizen Action; Government Accountability Project; National Coalition Against the Misuse of Pesticides; Mothers and Others for a Liveable Planet; and the AFL-CIO.

Not surprisingly, their call was welcomed by the Clinton Administration. The Environmental Protection Agency, Food and Drug Administration, and Department of Agriculture issued a joint policy statement on June 25th, the same day EWG released its report, committing to "reducing the use of pesticides and to promote sustainable agriculture." This is unusual, given that the NAS report had not yet been released. Furthermore, the statement said, "We expect to use the *upcoming* reports of the National Academy of Sciences and the Environmental Working Group on children and pesticides *as a basis for formulating* the legislation and regulatory policies" [emphasis added]. Clearly, advance coordination took place between the activist groups and the administration.

Prior to joining the administration, Agriculture Secretary Mike Espy served on the board of directors of Public Voice for Food and Health Policy, a self-styled consumer group that advocates "sustainable agriculture," i.e., farm practices employing few or no pesticides.

❖ ❖ ❖

**Sound science on a related note.** Research conducted by the FDA and others suggests that pesticide use on fruits and vegetables does not pose a serious health hazard. *Restricting* pesticide use, however, could have negative side effects. Under a "zero-pesticide" policy, overall consumer prices for food would increase by 45 percent, and supplies of fruits and vegetables would fall by 50 percent a year. See Agriculture Task Force, "Pesticides and Food Safety: Separating Fact from Fiction," *The State Factor*, July 1992, American Legislative Exchange Council.

Capital Research Center

Information on this page was provided by Tom Holt, a Visiting Fellow at the Capital Research Center. For more information, contact the Capital Research Center, 727 15th Street NW, Eighth Floor, Washington, DC 20005-1599; phone 202/737-5677.

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**Education**

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# U.S. Falling Behind on Educational Choice

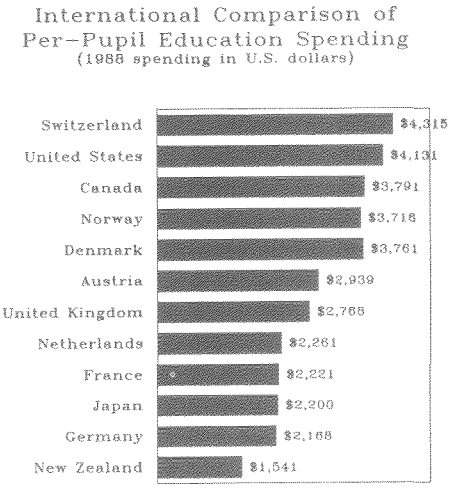
**School Choice in Other Countries**
According to the *Wall Street Journal*, **Russia** has adopted full educational choice. The government fully reimburses parents for the "costs of paid instruction in institutions other than state institutions." Parents in Moscow have more freedom to select a good school than most parents in the U.S.

"**Poland** now grants students scholarships worth up to 50 percent of the average cost of state education if they wish to attend private schools. **Chile's** democratic government has retained the voucher system it inherited. A third of Chilean students now attend private schools." In **Great Britain**, "hundreds of schools have broken away from state controls but remain state funded." **Sweden** has passed "a sweeping school voucher plan. Parents have the choice of sending their children to any public or private school, with voucher support for private schools of 85 percent of the average cost per student at his local public school."

**How about a longer school year?**
John Taylor Gatto, three times selected New York City Teacher of the Year, and once New York State Teacher of the Year, says this about the length of the school year:

*"The call you hear all around for a longer school year is only a mask over the endless longing of the school institution for a guaranteed clientele . . . You hear so often about the wonders of Japanese schooling, twelve weeks longer than our own. You are being asked to believe that more is better at the very instant that Hong Kong, with a school year ten weeks shorter than Japan's, whips that nation in every single academic category measured. In New York City we hear with reasonable frequency that Israel's long school term confirms the lesson of Japan since both nations trounce U.S. student competition handily. But . . . I have yet to hear once how handily Flemish Belgium trounces Israel in every academic category — even though it has a school year eleven weeks shorter than Israel's and nineteen weeks shorter than Hong Kong's."*

Gatto resigned from the New York City public schools after 26 years in the classroom. He is an outspoken advocate of school choice. His comments are contained in his book *The Exhausted School.*




**The National Extortion Association?**
Thus is entitled an article on the NEA in the June 7, 1993 issue of *Forbes* magazine.

Authors Peter Brimelow and Leslie Spencer report that the NEA has 2.1 million members, long ago surpassing the Teamsters to become the country's biggest union. Nearly one delegate in *eight* to last year's Democratic National Convention was a member of the NEA, the largest single bloc at every Democratic convention since 1976.

The NEA assesses unusually high membership dues of approximately $400 per year, making it a nearly $750 million economic power. "NEA dues are a fixed proportion of the average teacher's salary. Thus, just as real estate agents have a vested interest in rising property prices, so does the NEA have a direct institutional interest in teacher salary increases."

As a concluding remark *Forbes* notes: "The NEA is a political science textbook case: It exemplifies the so-called iron law of oligarchy, the tendency of membership organizations to degenerate from democracies into elite-driven groups serving the interests of their leaders."

CENTER FOR REBUILDING AMERICA'S SCHOOLS

Information on this page was provided by Thomas Hetland, FSC, Executive Director of the Center for Rebuilding America's Schools. He is a member of the Christian Brothers and was for twenty years a high school teacher and administrator. For more information, contact Thomas Hetland, the Center for Rebuilding America's Schools, 800 East Northwest Highway #1080, Palatine, IL 60067; phone 312/427-3060, fax 312/427-4642.

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**Environment**

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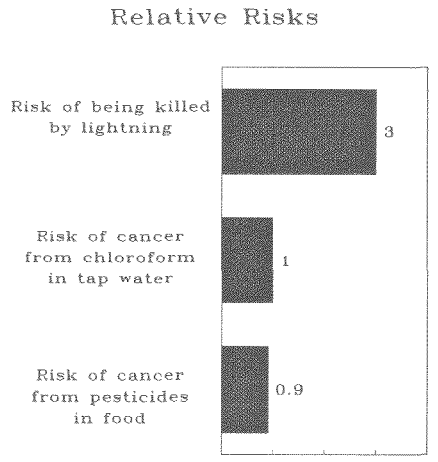
# Politics Makes a Mess of the Environment

## Superfund Reform on Back Burner

The federal Superfund law, intended to promote the cleanup of hazardous waste sites, has done little more than generate controversy during its first 13 years.




The political turmoil over Superfund is not likely to subside anytime soon. In a June 30 letter to EPA Administrator Carol Browner, House committee chairmen John Dingell (D-MI) and Al Swift (D-WA) reprimanded the Clinton Administration for failing to come forward with a reauthorization plan. The two noted that it would be almost impossible to rush Superfund reform through Congress. Thus, without a strong Administration commitment to progress, any amendments could be delayed until at least 1995.

## Eat Your Vegetables!

The National Academy of Sciences has concluded that pesticide residues on fruits and vegetables pose a serious threat to America's children, right? Wrong.

Contrary to the headlines proclaiming the horrors of modern agriculture, the NAS study, *Pesticides in the Diets of Infants and Children*, merely restated what is and is not known about the impacts of pesticide residues, and suggested that more research is necessary to determine whether or not children are more susceptible to the potential effects of pesticides than are adults.

Philip Landrigan, who chaired the committee that produced the report, clearly stated that "Parents should continue to emphasize fruits and vegetables in their children's diets," as the NAS study gives no cause for alarm.

## Tell Government to Stop

Not since the passage of the Endangered Species Act has there been a more specious excuse to regulate private property than "ecosystem management." *Everything* is part of an ecosystem, thus everything will be subject to federal regulation if environmentalists get their way. "Ecosystem management" allows the environmental establishment to achieve one of its highest goals: national land-use control.

Both the Senate and House are considering passage of the National Biological Survey Act of 1993. The Act seeks to authorize a nationwide data-gathering operation within the Department of the Interior. The administration is asking for $163 million to fund it.

The Act would override state trespass laws. Landowners would be powerless to prevent federal agents, or their paid "volunteers," from entering their property. The data gathered from such invasive surveys could be used against landowners under future "ecosystem management" regulations. Worse still, the administration specifically requests that the Freedom of Information Act be waived in the Act. Landowners would not be permitted access to the data gathered by the NBS, nor would they be entitled to an explanation of the government's plans for their property. Without such information, landowners would be unable to defend themselves against their government.

Fortunately, concern over these issues had been raised when Congress recessed in early August. The environmentalists were caught off guard, but no doubt they will be well prepared when Congress reconvenes in September. There is still time to open a debate before the NBS has the force of law. But not much.

Ike Sugg, Competitive Enterprise Institute.

CEI

Information on this page was provided by Kent Jeffreys, director of environmental studies at the Competitive Enterprise Institute, 1250 H Street NW, Suite 700, Washington, DC 20005-3908; phone 202/331-1010.

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(not access)

## is the real problem regarding health insurance.

Small employers don't have health insurance because they can't afford it. Don't make them pay the tab when there are better alternatives.

## STATE RISK POOLS

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**Families**

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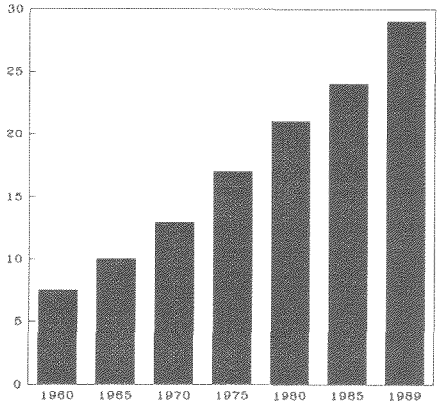
# Why Families Need Smaller Government

### Fidelity, Not Perversity

AIDS policies should not be premised on the assumption that large numbers of Americans are promiscuous or homosexual. In a recent study, researchers analyzed the sexual behavior of 3,300 men nationwide. They found that 95.8 percent of married men had had intercourse with only one partner during the previous year. Moreover, "only 2 percent of sexually active men aged 20-39 have had any same-gender sexual activity during the last 10 years, and only 1 percent reported being exclusively homosexual during this interval."

Source: "The Sexual Behavior of Men in the United States," *Family Planning Perspectives* 25 [March/April 1993]: 52-60.

Births to Unmarried Women as a Percentage of All Births




### Explaining Illegitimacy

When welfare benefits and wages for women rise while wages for men fall, an increasing number of women bear babies out of wedlock. Moreover, illegitimate births account for a significantly larger percentage of all births to white women ages 15 to 19 in areas with "more generous welfare programs" than in areas offering less generous welfare benefits.

Source: "Marriage Markets and Nonmarital Fertility in the United States," *Demography* 29 [1992]: 247-261.

### Without Hired Help

Many employed mothers do not want government subsidies for child care. Researchers recently found "nearly three-fourths of the families . . . managed to provide all employment-related child care using one or both parents or other close relatives."

Even if government or corporations substantially increased subsidies for market child care, "a sizeable proportion of families would continue to provide care themselves or with help from relatives" because of their belief that such care is inherently superior.

Source: "Part-Time Work and Child Care Choices for Mothers of Preschool Children," *Journal of Marriage and the Family* 55 [1993]: 146-157.

### Rights of the Accused?

A San Diego County grand jury recently investigated the state's handling of cases of alleged sexual abuse and molestation. The grand jury uncovered evidence that "the [judicial] system seems determined to err on the side of assuming guilt — that which cannot be proven false must be true." Cases were documented in which courts had split up families on the basis of unsubstantiated allegations, which later proved false.

The grand jury challenged the "aberration in our system" that has caused the courts to abandon "the legal system's traditional truth-finding tools — witness confrontation, cross-examination, restrictions on hearsay, and 'expert' testimony."

Source: San Diego Grand Jury, "Child Sexual Abuse, Assault, and Molestation Issues," June 1992.

### Protecting Children?

Laws requiring nonmedical personnel to report "suspected" incidents of child abuse to the government rarely protect children, but they *have* caused needless trauma for many families. Some 700,000 families now undergo investigations of unfounded reports of suspected child abuse each year. "Investigation of a report of child maltreatment is not an innocuous intrusion into family life," a new study stresses. "[T]he costs of the mandatory reporting laws outweigh the benefits for many families, particularly poor families."

Source: "Mandatory Reporting Laws: Child Protective Case Finding Gone Awry?" *Social Work* 38 [1993].

THE ROCKFORD INSTITUTE

Information on this page was provided by Bryce J. Christensen, editor of *New Research*, a monthly supplement to *The Family in America*, published by The Rockford Institute. For more information, contact Allan Carlson or Dr. Christensen at The Rockford Institute, 934 North Main Street, Rockford, IL 61103, phone 815/964-5053, fax 815/965-1826.

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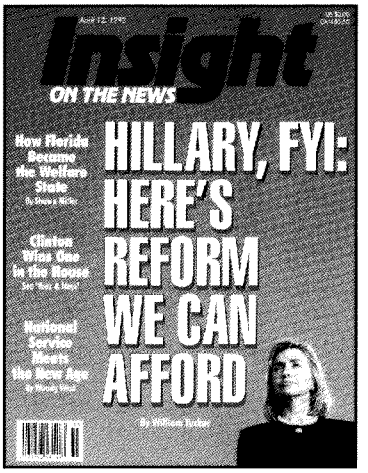


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# Voters Don't Want Managed Competition

## New York's April Fools

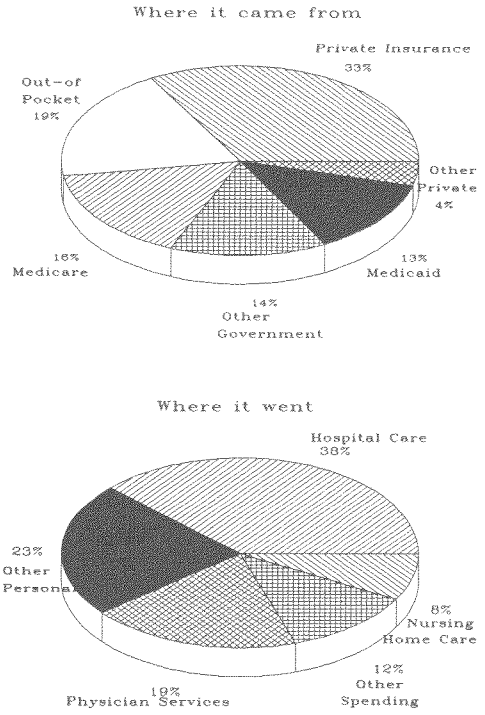
On April 1, health insurers in New York were required by state law to accept all applicants and not vary premium charges on the basis of sex, age, or health. On April 2, newspapers reported that nine health insurance companies abandoned the New York market and more than 50,000 people lost their insurance coverage.

The driving force behind the community rating law was Empire Blue Cross, which claimed to have lost some $250 million during the previous two years due to "cherry picking" of healthy customers by its commercial competitors. In June, a U.S. Senate investigation found that Empire deliberately exaggerated its losses by $50 million and shifted $28 million in losses from its experience-rated accounts to its community-rated accounts to win support for the legislation. Amid these and other allegations of fraud and mismanagement, Empire has agreed to dump its top management.

New York legislators should admit that they were hoodwinked by Empire and revisit their decision to impose community rating on their state's insurers. Legislators in other states, too, would be wise to examine the claims of their own Blue Cross and Blue Shield insurers before being pushed to make similar mistakes.

See "Senate Report Blames Bad Management, Fraud for Empire Blue Cross Problems," *The Wall Street Journal*, June 28, 1993.

The U.S. Health Care Dollar: 1991




## Voters Oppose Managed Competition

A new survey of Illinois voters found nearly 7 out of 10 would oppose a national health care reform plan if it restricted their choice of physician. Only 25 percent said they would give up physician choice in exchange for promises of lower costs and universal coverage. Managed care also fared poorly in the survey: Over half of respondents currently enrolled in HMOs said they would be willing to pay more to get out of the plan. Surveys such as this one, conducted by the Naderite Illinois Public Action Council, suggest that legislators who embrace "managed competition" style plans can expect rough treatment by voters at election time.

See "In Health Care, Illinoisans Choose Choice," *Chicago Sun-Times*, June 21, 1993.

## Out-of-Pocket Spending Falls to 3.4 Percent

Despite all the recent attention to the problem of people without adequate health insurance, the portion of hospital expenses paid out-of-pocket actually fell between 1990 and 1991, from 4.0 percent to 3.4 percent. The remaining 96.6 percent in 1991 was paid from private or government insurance programs. *One reason health care spending is rising so fast is that consumers don't pay for the care they receive.* Over-reliance on insurance causes price insensitivity and over-utilization.

Another major cause of spending increases is an enormous growth in Medicaid expenditures. Federal, state, and local spending on Medicaid increased a staggering 34.4 percent between 1990 and 1991, amounting to $96.5 billion in 1991.

Source: Suzanne W. Letsch et al., "National health expenditures, 1991," *Health Care Financing Review*, Vol. 14, No. 2 (Winter 1992) page 1.

THE HEARTLAND INSTITUTE

Information on this page was provided by Joseph L. Bast, president of The Heartland Institute. For more information, contact The Heartland Institute, 634 South Wabash, Second Floor, Chicago, Illinois 60605; phone 312/427-3060, fax 312/427-4642.

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**Privatization**

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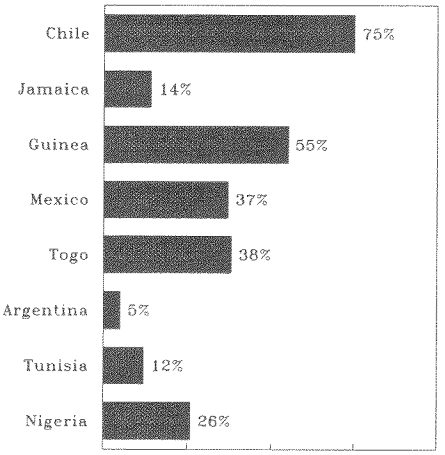
# Coast-to-Coast Privatization

## New York City: Edging Toward Privatization

With a budget larger than all but three states, New York City has become synonymous with big government. A report released in June by the New York Chamber of Commerce and Industry and the New York City Partnership Privatization Task Force, *Putting the Public First: Making New York Work Through Privatization and Competition*, finds that privatization, competition, and other reforms could save nearly $16 billion over ten years.

Privatization in Selected Countries
Reduction in State-Owned Enterprises




Source: Privatization 1993, Reason Foundation.

New York Mayor Dinkins appears to be edging toward privatization. His FY 94 budget includes expected revenues of $55 million through the sale or restructuring of New York City's Off Track Betting. The mayor also wants to sell two prison barges that now sit empty at a Manhattan pier, costing taxpayers $100,000 a month.

Another of Dinkins' privatization proposals has run afoul of possible improprieties. The mayor's budget anticipates saving $15 million by privatizing the Parking Violations Bureau, as has been done successfully in cities such as Chicago, but reports of irregularities have resulted in the postponement of contract award pending an inquiry by the New York Department of Investigation.

## New Mayor of Los Angeles Considering Privatization

Newly elected Los Angeles Mayor Richard Riordan promises to bring a new look to City Hall — including making greater use of privatization.

Riordan wants to pay for additional police with revenue generated by leasing Los Angeles International Airport. A recent Reason Foundation study found that leasing the airport could be a financial windfall for the city. Riordan has also expressed interest in introducing competition into municipal services. One of the functions mentioned as a possible target for privatization in Los Angeles is trash collection.

After his election, Riordan travelled to **Indianapolis** to meet with Republican Mayor Stephen Goldsmith, who has been a champion of competition and competitive contracting. Indianapolis has used "marketization" of city services to trim $12 million from a $470 million budget. Riordan was impressed by the efforts of Indianapolis' Service, Efficiency and Lower Taxes for Indianapolis Commission (SELTIC), a business group that helped target services for contracting. "We will have a panel similar to the SELTIC panel," Riordan promises.

## Privatization Would Improve D.C. Ambulance Service

The American Ambulance Association recently offered to enter into a 10-year emergency medical services contract with the District of Columbia. The AAA (a) guaranteed an eight-minute response 90 percent of the time (city ambulances arrive within eight minutes just 50 percent of the time), (b) would have staffed the ambulances with better-trained personnel, (c) promised that city ambulance employees would be hired with benefits at least as good as they currently received, and (d) would have saved city taxpayers $3 million during the first year of the contract. Mayor Sharon Pratt Kelly refused to support the proposal.

Information on this page was provided by John O'Leary and William Eggers of the Reason Foundation. For more information, contact the Reason Foundation, 3415 South Sepulveda Boulevard, Suite 400, Los Angeles, CA, 90034, phone 310/391-2245, fax 310/391-4395.

**Privatization Hotline 310/391-6525.**

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**Taxes**

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# The Federal Buck Stops Here

The federal government spent $1,381 billion and collected $1,059 billion in taxes during fiscal 1992. Some states paid more into the federal coffers than they received in return, while others managed to get more than they gave.

The accompanying table identifies states with the best and worst taxes-to-spending ratios. Federal taxes by state are calculated by a special methodology developed by the Tax Foundation. Federal spending is estimated by the Bureau of Census.

States are ranked on how they fared overall in 1992, considering both taxes and spending, and the results indicate wide disparities. For example, New Mexico is ranked number one because residents of that state pay only 73 percent of the U.S. average in federal taxes, but they receive 143 percent of the average in federal spending. New Mexico's taxes-to-spending ratio is 0.51 — 51 cents in taxes paid for every $1 of federal spending received.

On the other hand, high-income states such as New Jersey and Delaware are hit hard by federal taxation, while receiving less than the average federal spending per capita. Residents of New Jersey, for example, pay 144 percent of the U.S. average in federal taxes while receiving 96 percent of the average in spending. New Jersey's taxes-to-spending ratio is 1.50 — $1.50 in taxes paid for every $1 of federal spending received.

## Federal Taxes and Spending by State, FY 1992

### Top Ten and Bottom Ten

| Rank | State | Federal Taxes Per Capita | Federal Taxes as a Percentage of U.S. Average | Federal Spending Per Capita | Federal Spending as a Percentage of U.S. Average |
| --- | --- | --- | --- | --- | --- |
| 1 | New Mexico | $3,025 | 73% | $6,572 | 143% |
| 2 | Mississippi | 2,563 | 62 | 5,107 | 111 |
| 3 | North Dakota | 3,312 | 80 | 5,452 | 119 |
| 4 | West Virginia | 2,887 | 70 | 4,485 | 98 |
| 5 | Alabama | 3,177 | 76 | 4,920 | 107 |
| 6 | Maine | 3,417 | 82 | 5,291 | 115 |
| 7 | Montana | 3,234 | 78 | 4,967 | 108 |
| 8 | Virginia | 4,223 | 102 | 6,416 | 140 |
| 9 | South Dakota | 3,277 | 79 | 4,684 | 102 |
| 10 | Idaho | 3,099 | 75 | 4,425 | 96 |
| | | | | | |
| 41 | New York | 4,999 | 120 | 4,632 | 101 |
| 42 | Wisconsin | 3,891 | 94 | 3,563 | 77 |
| 43 | Nevada | 4,429 | 107 | 4,052 | 88 |
| 44 | Michigan | 4,142 | 100 | 3,788 | 82 |
| 45 | Minnesota | 4,241 | 102 | 3,752 | 82 |
| 46 | New Hampshire | 4,558 | 110 | 3,853 | 84 |
| 47 | Illinois | 4,734 | 114 | 3,818 | 83 |
| 48 | Connecticut | 6,286 | 151 | 4,846 | 105 |
| 49 | Delaware | 5,230 | 126 | 3,897 | 85 |
| 50 | New Jersey | 5,966 | 144 | 4,405 | 96 |
| | | | | | |
| | U.S. Average | $4,153 | 100 | $4,599 | 100 |

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Information on this page was provided by Stephen Gold, director of communications at the Tax Foundation. For more information, contact the Tax Foundation, 1250 H Street NW, Suite 750, Washington, DC 20005-3908; phone 202/783-2760, fax 202/942-7675.

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**Welfare**

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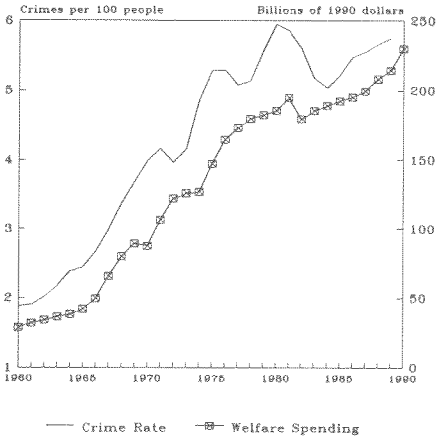
# Welfare: Cause of, or Cure for, Crime?

## High Welfare Benefits Increase Crime

Recent research by Dr. June O'Neill of Baruch College in New York City finds that high welfare benefits are linked to high crime rates among young black men. Holding constant a wide range of social and economic variables such as urbanization, neighborhood, family background, and income, O'Neill found that a 50 percent increase in the monthly dollar value of combined food stamp and AFDC benefits led to a 117 percent increase in the crime rate among young black men. This finding suggests that higher welfare benefits lead to an erosion of work ethic, family structure, and general social norms, and thus to higher crime.

800% Increase in Welfare Spending Accompanied by a Tripling of Crime




Source: M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants*, forthcoming paper, research funded by Grant No. 88ASPE201A, U.S. Department of Health and Human Services.

## Soaring Crime Rates

The number of major felonies per capita today is roughly three times the normal historic rates from before 1960. The violent crime rate has increased four-fold in the last three decades. Americans suffer one murder every 21 minutes, one rape every 5 minutes, one robbery every 46 seconds, and one motor vehicle theft every 19 seconds.

Source: Robert Rector, "A Comprehensive Urban Policy: How to Fix Welfare and Revitalize America's Inner Cities," *Heritage Foundation Memo to President-Elect Clinton*, January 18, 1993.

## Crime Hurts Poor and Blacks Most

Poor families are more likely to be victimized by violent crime than are middle-class families. Families with annual incomes below $7,500 are almost twice as likely to suffer from rape, robbery, and severe assault as are families with incomes above $50,000. Black families were almost twice as likely to be victims of burglary and motor vehicle theft as were whites. And compared to whites, blacks nearly twice as often suffer rape, robbery, and severe assault.

Source: Timothy J. Flanagan and Kathleen Maguire, editors, *Sourcebook of Criminal Justice Statistics 1991* (Washington, DC: U.S. Government Printing Office, 1992), page 296.

## Guaranteed Jobs Do Not Reduce Crime

Welfare state advocates often argue that crime is a result of an alleged lack of jobs and government social services. This idea was thoroughly tested in the late 1970s as part of the National Supported Work Demonstration program, which provided a guaranteed job and a wide array of expensive social services to two groups: 1) high school dropouts and 2) low-income men with prior criminal records.

A "gold-plated" pilot project, National Supported Work offered services costing $20,500 per recipient in 1992 dollars. It was also very unusual among government programs because its effects were precisely measured using modern scientific methods, which compared individuals receiving aid to a control group that received no aid. Scientific evaluation showed that the program failed to decrease criminal activity and drug use, and failed to increase long-term employment among beneficiaries.

Source: Manpower Demonstration Research Corporation, *Summary and Findings of the National Supported Work Demonstration* (Cambridge, MA: Ballinger Publishing Corporation, 1980).

Information on this page was provided by Robert Rector, policy analyst for social, welfare, and family issues at The Heritage Foundation. For more information, contact The Heritage Foundation, 214 Massachusetts Avenue NE, Washington, DC 20002, phone 202/546-4400, fax 202/544-2260.

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# RESEARCH REPORT

## Summaries of Research on State and Local Public Policy

*See pages 30-31 for the addresses and telephone numbers of the publishers of research cited here.*

## BUDGET

**Washington State Fiscal Trends Analyzed.** To assist state policy makers in their preparation of a 1993-95 biennium budget, the Washington Research Council has produced a ten-year review of state revenues, state expenditures, and economic and demographic trends. The group calls for reforming the state's fiscal processes, making government competitive, and reforms and reductions in current programs. *Washington State Fiscal Trends and Recommendations for Budget Reform*, March 1993, Washington Research Council.

In 1960-61, the federal government's borrowing as a share of net private savings was 1 percent. By 1990-91, that share had risen to 71 percent.

**What to Do About Unfunded Federal Mandates.** Relief from unfunded federal mandates will be forthcoming only when *state* policy makers themselves take action. A Michigan think-tank proposes *three assertive steps*: (1) Create the position of "mandate ombudsman," to track, forecast, disseminate, and distribute information regarding federal mandates. (2) Establish a computer database to allow the ombudsman to generate up-to-the-minute estimates of the cost of mandates. (3) Adopt a state legislative resolution requiring the Congressional delegation to appear before the state legislature annually to account for mandates. Michael D. LaFaive and Lawrence W. Reed, "Washington Should Kick the Mandate Habit: The Fiscal Impact of Medicaid Mandates on Michigan," *A Mackinac Center Report*, May 1993, Mackinac Center for Public Policy.

**Florida Needs Budget Discipline.** In the slow-growth 1990s, Florida cannot sustain the high-taxing and high-spending policies it was able to get away with during the prosperous 1980s. Per-capita taxes in Florida rose by 30 percent between 1980 and 1989; the national average was 17 percent. Per-capita state expenditures climbed by 38 percent; the national average was 23 percent. And the number of state government employees per 10,000 residents rose by 14 percent; the national average increase was 9 percent. Dean Stansel, "Anatomy of a Budget Crisis: A Comparative Analysis of Florida's Fiscal Policies, 1980-1993," *Backgrounder* No. 8, 1993, The James Madison Institute for Public Policy Studies.

**Coalition Offers "Porkbusting" Bill.** A bipartisan coalition comprised of 68 members of Congress, the National Taxpayers Union, and ten other taxpayer groups has introduced into Congress the "Spending Priorities Reform Act." The bill would repeal 747 "pork" projects, for a savings of $1.963 billion. All 747 projects recommended for repeal met three of seven criteria established by the coalition. "NTU Goes 'Porkbusting,'" *Dollars & Sense*, May 1993, National Taxpayers Union.

**Real Spending Cuts Needed in New York.** New York Governor Mario Cuomo — not unlike most governors across the country — recently boasted that his proposed 1993-94 budget includes "spending cuts." In fact, however, the budget merely "cuts" spending increases requested by state agencies. Under Cuomo's budget, actual state spending increases by $3.6 billion — 6.6 percent. *Privatization* of some government agencies and outright *elimination* of others offer opportunities for real cuts. Raymond J. Keating, "A Sample of Real Spending Cuts for New York: An Alternative to Fiscal Deconstructionism," *Capitol Comment*, March 5, 1993, New York Citizens for a Sound Economy.

**Unfunded Federal Mandates Hurt States.** Unfunded federal government mandates are busting state budgets nationwide. Estimated to cost state governments between $15 billion and $500 billion a year, "unfunded mandates are de facto tax increases which throw state budgets into chaos and violate the constitutional principle of federalism." *What to do?* State legislators should hold their congressional delegation accountable and responsible for unfunded mandates. David Dunn, "The Impact of Unfunded Federal Mandates on Oklahoma: What Can Be Done?" *Viewpoint on Public Issues*, March 26, 1993, Resource Institute of Oklahoma.

**Addressing Washington State's Budget Crisis.** The State of Washington faces a budget deficit that may run as high as $2.4 billion — but proposed tax increases aren't needed to close the gap. Spending cuts are all that's needed. *Olympia facts:* (1) The proposed biennium budget calls for a 16.4 percent increase in spending — more than three times the rate of inflation. (2) State government employees are paid on average 23 percent more than their private-sector counterparts. (3) State government leased nearly one new office building per month since 1985, in addition to two office complexes they built and own. Bob Williams, *Solving Washington's Budget Crisis: Possibilities on the Horizon!*, 1993, Evergreen Freedom Foundation.

**California Budget: Form over Substance.** California state policy makers recently appeared more concerned about passing a budget "on time" than passing one that made fiscal sense. *What the budget-rush produced*: $5.4

See pages 30-31 for publishers' addresses and phone numbers.

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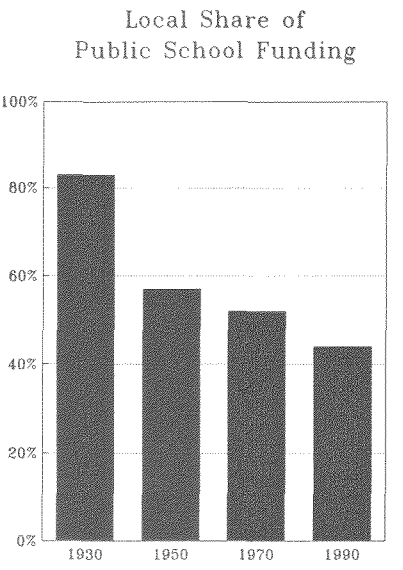
billion in deficit spending, $1.5 billion in direct taxes, and $2.6 billion in funds raided from local government coffers. "On Time and Out of Control: California's 1993-94 Budget," *Taxpayer's Briefing*, July 9, 1993. Contact The Center for the California Taxpayer, 151 North Sunrise Avenue #901, Roseville, CA 95661; phone 916/786-9400.

**Guideposts and Guardrails to Responsible Fiscal Policy.** Focusing on limits, rather than entitlements, could save Oregon taxpayers billions of dollars, close the state's budget gap without new taxes, and maintain or improve services. *Key principles*: State government should focus on its core business. Civil servants should not earn more than other citizens. Don't accept federal strings as straitjackets. Martin Buchanan, "Seven Principles of State Budget Reform," *Fiscal Insight* #6, June 1993, Cascade Policy Institute.

# EDUCATION

**Five Steps to Educational Choice.** (1) Clear away the smokescreens used to defend the current educational finance monopoly. (2) Recognize the obstacles — inertia being key among them — to progress toward choice. (3) Identify the constituencies who can be tapped to remove the obstacles. (4) Help the constituencies in their efforts to work through the political process. (5) Turn the *principle* of choice into *policy*. Quentin L. Quade, "Roadmap to Educational Choice: Getting There From Here." Contact The Blum Center for Parental Freedom in Education, Marquette University, Brooks Hall #209, Milwaukee, WI 53233; phone 414/288-7040.

**Public Schools Nationwide Face Financial Ruin.** Maryland projected a $400 million shortfall in its public school system at the beginning of the 1992-93 school year. California, after a record tax increase in 1992, appears to face a $7.5 *billion* deficit over the next two years. The District of Columbia will eliminate 900 positions and close 10 schools to close a $500 million budget gap. Chicago schools, facing a $400 million shortfall, are not expected to open in Fall 1993. Perhaps *this* is what it takes to get students and parents the right to take their tax dollars out of the system? "The Growing Fiscal Crisis of Government Schooling," *Choice Comments*, June 30, 1993. Contact The REACH Alliance, 513 North 2nd Street, P.O. Box 1283, Harrisburg, PA 17108-1283; phone 717/238-1878.



Source: Institute for Policy Innovation, April 1993.

***Why* We Educate More Important than *How*.** Parents have remained remarkably consistent about what they want from our education system: academic achievement, discipline, and ethics. The business community has been straightforward about needing employees who can read, write, compute, and communicate. But the "education elite" has redefined education over the years to meet its own needs. "The Real Education Debate," June 1993. Contact the Evergreen Freedom Foundation.

**Does Integration Work?** In Milwaukee, no one knows for sure — because the state's $72.3 million city-suburban integration program has never been subjected to a comprehensive evaluation. Suburban school districts receive $10,247 for every student in the Chapter 220 program. *Irony:* "The cost for students in Chapter 220 is now 341 percent of the cost for students in the choice schools. In contrast to Chapter 220, where state law never has required an evaluation, state law required an evaluation in the first year and in every year thereafter of the Milwaukee school choice program." Charles J. Sykes, "Anatomy of a Boondoggle," *WI: Wisconsin Interest*, Winter/Spring 1993, Wisconsin Policy Research Institute.

**Head Start Fact and Fiction.** A recent study claiming to prove the success of the federal government's "Head Start" early childhood intervention program was in fact about a program far smaller, more expensive, and more ambitious than Head Start. What's more, even this program isn't much of a success. Begun in 1962, the so-called "Perry Project" enrolled just 58 kids in one community (Ypsilanti, Michigan). The latest study of project alumni, at age 27, found that 29 percent didn't finish high school, 59 percent have been on public aid during the last decade, and 57 percent of the births to females were out of wedlock. Stephen Chapman, "The glowing claims and gloomy facts about Head Start," *Chicago Tribune*, April 25, 1993.

**Pennsylvania Reports Most Teacher Strikes.** As the 1992-93 school year drew to a close, 343 Wyoming Valley teachers went on strike, bringing to 17 the total number of teacher strikes in Pennsylvania this school year. Nationwide, the 1992-93 school year saw 56 teacher strikes in 11 states, with 28,418 teachers on picket lines and 345,638 students the real victims. "Teacher Strikes," *The Government Union Critique*, July 2, 1993. Contact Public Service Research Foundation, 1761 Business Center Drive #230, Reston, VA 22090; phone 703/438-3966.

**Charter Schools Enhance Choice.** One of the difficulties with educational choice programs — particularly those that extend only to public schools — is that they are limited to schools that currently exist. *Charter schools* empower parents and teachers to create new school programs, and thus address this supply problem. Marilyn Blackmon and David S. D'Evelyn, "Charter Schools: Colorado's Mandate for Change," *Independence Issue Paper* No. 11-93, April 21, 1993, Independence Institute.

**Minnesota Choice Plan Has Broad Reach.** Over 30,000 K-12 students in

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Minnesota — 4 percent of the state's total — took advantage of the state's enrollment options programs during the 1990-91 school year. About 58 percent of the students had either dropped out of school previously or were at risk of dropping out. Dana Schroeder, "School choice options drawing students throughout state, influencing programs," *Minnesota Journal*, April 13, 1993. Contact the Citizens League, 708 South Third Street #500, Minneapolis, MN 55415.

**State Funding of Schools Endangers Local Control.** On June 2, Michigan voters wisely rejected a proposal to increase state sales taxes and dedicate the proceeds to Michigan's schools. Research strongly suggests that such centralization of funding for education weakens schools and hurts student achievement. Thomas Shull, "Proposal A May Weaken Schools," *A Heartland Perspective*, May 28, 1993, The Heartland Institute.

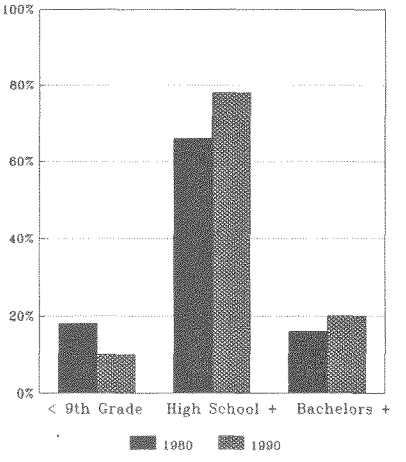
**Return Control of Education to Parents.** Centralized control of education has produced poor results and a massive waste of resources. Quality education requires that control of education be taken away from education bureaucracies and returned to parents. George L. O'Brien, "Government Schools in Crisis," *ISIL Educational Pamphlet Series*. Contact the International Society for Individual Liberty, 1800 Market Street, San Francisco, CA 94102; phone 415/864-0952.

**The Charter School Revolution.** In 1993, three states — Colorado, Georgia, and New Mexico — joined Minnesota and California at the cutting-edge of education reform, adopting legislation authorizing the establishment of charter schools. Such schools operate free of state rules and regulations, opening the way for innovation and experimentation. "Three More States Approve Charter Schools," *Business/Education INSIDER*, June 1993, The Heritage Foundation.

**Minnesota Exempts School District From Rules and Regulations.** In March, the Minnesota state board of education exempted an entire suburban Minneapolis-St. Paul school district from most state rules and regulations. The waiver exempts the district from regulations governing the length of the school day, class size, curriculum, textbooks, and hiring teachers outside of the conventional certification process. "Minnesota Slashes Red Tape in School District," *Business/Education INSIDER*, June 1993, The Heritage Foundation.

**Student Transportation Ripe for Cost Savings.** New Jersey state government could reduce pupil transportation costs by up to $50 million by refusing to reimburse questionable expenditures by local school districts and by using a funding formula adopted in the state's Quality Education Act of 1990. "Pupil Transportation Cost Control Opportunities," *Public Affairs Focus*, June 1993, Public Affairs Research Institute of New Jersey, Inc.

Level of Schooling Attained by Adults Over 25




Source: U.S. Census

**Oregon Schools Can Survive Budget Cuts.** Even after adjusting for inflation, Oregon currently spends $1,513 more per student than it did twelve years ago — with no apparent improvement in the quality of the service delivered. K-12 basic education spending could be reduced by $1.5 *billion* in the 1993-95 budget biennium and still match the real per-student spending of the 1980-81 school year. Martin Buchanan, "Oregon K-12 Education: Can It Withstand State Budget Cuts?" *Fiscal Insight* #5, April 1993, Cascade Policy Institute.

**Special Education Spending Examined.** Special education spending in California has grown rapidly since 1980, when Congress adopted the Individuals with Disabilities Education Act. For example, the average cost of educating a disabled student in the Los Angeles Unified School District was $11,500 in 1991-92; per-pupil spending for non-disabled students averaged $4,000. *Among the solutions:* Give local education agencies more flexibility in the allocation of special education funds and the administration of programs; encourage placement of students in non-public schools that offer high-quality, cost-effective services. Janet R. Beales, "Special Education: Expenditures and Obligations," *Policy Study* No. 161, July 1993, Reason Foundation.

**Pennsylvanians Want a Choice.** In a poll conducted by the Mansfield University Rural Services Institute, 63 percent of surveyed Pennsylvanians reported favoring a voucher system that would permit parents to send their children to any public, parochial, or private school. Support for choice crossed party lines: 63 percent of Republicans support the idea, as do 62 percent of Democrats, 59 percent of Independents, and 68 percent of unaffiliated voters. Fifty-nine percent of rural Pennsylvanians supported vouchers, as did 64 percent of urban Pennsylvanians. David W. Kirkpatrick, "Pennsylvanians Favor School Choice: An Analysis," *Choice Comments*, April 15, 1993. Contact The REACH Alliance, 600 North 2nd Street #400, P.O. Box 1283, Harrisburg, PA 17108-1283; phone 717/238-1878.

**Texas "Robin Hood" Bill Makes Financing Less Equitable.** In April 1991, the Texas state legislature passed its "Robin Hood" bill, aimed at taking school tax money from wealthier school districts and giving it to poorer ones. The plan has made little difference, however, and what difference it made was in the wrong direction. Measured on a scale of 0 to 1 (where 0 is perfect equality), Texas' school funding distribution had an inequality measure of .149 before "Robin Hood," and .154 after. Kathy J. Hayes and Daniel J. Slottje, "Rethinking Robin Hood," *NCPA Policy Report* No. 179, April 1993, National Center for Policy Analysis.

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**Challenge to Carnegie Report Continues.** In December 1993, the Carnegie Foundation for the Advancement of Teaching released a widely publicized study of school choice. *More criticism:* "Not only are all three of [the Foundation's] findings wrong, in every case Carnegie reached these faulty conclusions by misanalyzing or distorting the data upon which it relied, and ignoring more significant bodies of contrary data." James MacGuire, *Beyond Partisan Politics: A Response to the Carnegie Report on Choice*, April 1993. Contact the Center for Social Thought, 37 West 20th Street #902, New York, NY 10011.

**Precedent Exists for Educational Choice.** While opponents of parental choice in education portray the idea as unprecedented, untested, and unconstitutional, the fact is many programs already exist to direct public education dollars to private education providers. In Wisconsin alone, about $164 million a year in public funds is provided to some 78,000 Wisconsin residents for private education and early childhood development programs. Susan Mitchell, "Educational Choice in Wisconsin," *Wisconsin Policy Research Institute Report*, May 1993, Wisconsin Policy Research Institute.

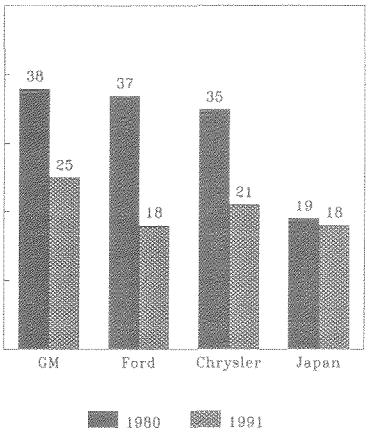
**Pennsylvania Education Report Card Issued.** While Pennsylvania "earns straight As in spending on education, including per-pupil expenditures and teachers' salaries," it "flunks on results, including illiteracy rates and SAT scores." Further evidence that high spending does not guarantee quality results. "The 1993 Report Card on Pennsylvania Public Education," June 1993. Contact The Pennsylvania Leadership Council, 223 State Street, Harrisburg, PA 17101.

**Head Start a P.R. Success Only.** Though Head Start is widely *believed* to be "America's most successful education experiment," the success is in the program's public relations campaign — not its impact on student performance. While Head Start children perform better than their peers when they enter first grade, *within two years* they tend to perform as poorly as students who did not participate in the program. Surely Head Start's $2.2 billion budget could be spent on programs with longer-lasting benefits! John Hood, "Hyping the Head Start Program," *Viewpoint on Public Issues*, April 5, 1993, Mackinac Center for Public Policy.

# EMPLOYMENT

**U.S. Auto Industry Responded Well to Economic Pressures.** The 1970s' "energy crisis," 1980s' strong dollar, and competition from overseas forced the Big Three automakers to streamline production, pare employment, and focus on product development. Today, "the auto industry and other core Midwest industries are in better shape to compete in the world market than they were just a decade ago. In turn, the Midwest is now one of the healthiest regions in the country." Paul Ballew and Robert Schnorbus, "Auto industry restructuring and the Midwest economy," *Chicago Fed Letter*, June 1993. Contact the Federal Reserve Bank of Chicago, Public Information Center, P.O. Box 834, Chicago, IL 60690; phone 312/322-5111.

Productivity Gains in U.S. Automobile Industry
(in assembly hours per vehicle)




Source: US Department of Commerce, Federal Reserve Bank of Chicago.

**Statistical Disparity Does Not Justify Set-Asides.** Minority set-aside programs should not be justified simply by comparing the share of contracts awarded to minority firms to the share of minority firms qualified to do the work. Such "disparity analysis" ignores significant factors, including many presented by government bidding processes themselves. *A better approach:* Multiple regression analysis, which controls for a wide range of variables in an attempt to determine the underlying causes of low minority participation in government contracting. Barry W. Poulson, "Stop Cooking the Books on Set-Asides," *Independence Issue Paper* No. 7-93, February 15, 1993, Independence Institute.

**Mandated Benefits Misguided, Costly.** Mandating that employers provide expanded benefits to their employees is a wrong-headed approach to boosting worker skills and improving productivity. Low-skilled young people — the very people President Clinton wants to "put first" — are hardest hit by such programs. The consulting firm of Laurence H. Meyer & Associates estimates that the mandated training program proposed by the Clinton Administration would cost some 200,000 jobs by the end of 1994. Dwight R. Lee, "The Misguided Policy of Mandated Benefits," *Contemporary Issues Series 58*, April 1993, Center for the Study of American Business.

**Small Business Pessimistic about Economy.** For the seventh straight month, small business owners overwhelmingly were pessimistic about the outlook for business in the U.S. Only 15 percent of respondents to the survey believed general business conditions would improve over the next three to six months. "President Clinton's economic program appears to be driving small business confidence lower." "Small Business Optimism Index Falls Close to Recession Levels," *Monthly Small-Business Economic Update*, June 1993. Contact The NFIB Foundation, 600 Maryland Avenue SW #700, Washington, DC 20024; phone 202/554-9000.

**Workers' Comp Reform Difficult, But Possible.** Conflicts among business leaders, insurance companies, labor unions, and trial lawyers make workers' compensation reform at the

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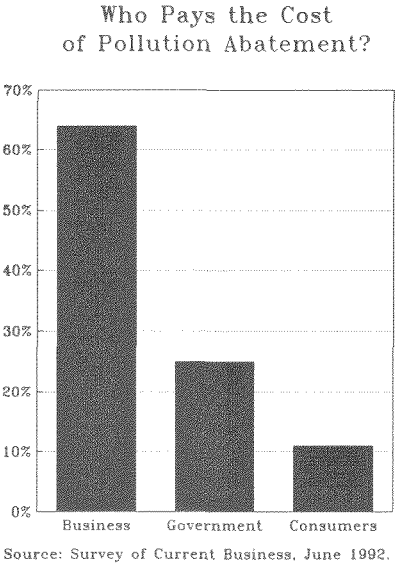
state level difficult . . . but it is becoming increasingly necessary in states battling to keep and attract businesses. *Interesting reform idea:* Exclude the special interest group lobbyists — insurance companies and lawyers, in particular — from the reform process. Peter Hans, "Tug of War," *Carolina Journal*, June/July 1993, The John Locke Foundation Inc.

**Small Step Toward Workers' Comp Reform.** The State of Hawaii recently passed legislation allowing small business corporate owner-employees (who own 50 percent or more of their businesses) to exempt themselves from mandatory workers' compensation insurance. The law will save millions for Hawaii's small business owners — who "*never* claim workers' comp benefits on their own injuries, yet have been forced to buy the costly insurance." "Workers' Comp Reform Becomes Law," *Small Business News*, July 1993. Contact Small Business Hawaii, 770 Kapiolani Boulevard #111, Honolulu, HA 96813.

**Regulation of Independent Contractors is Counterproductive.** Heavy-handed regulation of the employer-employee relationship has encouraged the use of independent contractors; in 1989, over 2 million people performed work as independent contractors in the U.S. But public policy also *discourages* independent contractors by relying on vague criteria to classify workers and imposing huge penalties on employers who fail to meet the criteria. *Solution*: Government agencies should stay out of labor agreements entered into voluntarily by employers and workers. John Enright and William Dale, "Entrepreneurial Independent Contractors vs. The State," *Heartland Policy Study* No. 56, April 30, 1993, The Heartland Institute.

**Retraining the Unemployed.** The Hong Kong government wants to expand its role in retraining workers unemployed by the country's rapidly changing economy. *Recommendation:* Government should limit its role to identifying displaced workers eligible for retraining. The government *should not* itself develop and sponsor training courses. Dr. William Chan, "Retraining the Unemployed in Hong Kong," *HKCER Letters*, March 1993. Contact the Hong Kong Centre for Economic Research, University of Hong Kong, Pokfulam Road, Hong Kong.

**Prevailing Wage Laws Economic Mistake.** Michigan's Prevailing Wage Act of 1965 — like the federal Davis-Bacon Act and similar state laws across



Source: Survey of Current Business, June 1992.

the country — "subsidizes the well-off, discriminates against large segments of the work force, diverts funds from education and the needy, wastes tens of millions of tax dollars every year, and hurts the competitiveness of our state's businesses." Lawrence W. Reed, "The High Cost of Bad Law," *Viewpoint on Public Issues*, April 5, 1993, Mackinac Center for Public Policy.

## ENVIRONMENT

**Helping Communities Accept Solid Waste Facilities.** Much of the not-in-my-backyard (NIMBY) response to the siting of landfills is in fact a reaction against top-down decision making. "Host-community benefits" (HCBs) can address local resistance by compensating residents for real or perceived harms or losses they might experience when a landfill is sited. New Jersey and five other states have legislation to encourage or require the use of HCBs and/or enhanced citizen participation in the siting process. Rodney Fort and Lynn Scarlett, "Too Little Too Late? Host-Community Benefits and Siting Solid Waste Facilities," *Policy Study* No. 157, April 1993, Privatization Center of the Reason Foundation.

**Leave Recycling to Free Market.** State governments can encourage recycling without mandating it. Colorado, for example, initiated in 1991 a tax credit program to encourage companies to invest in ways to convert recyclable materials into new products. The state failed to promote the program, however, and now proposes far more heavy-handed government efforts to mandate recycling. James McMahon, "Look to Markets, Not Bureaucrats for More Recycling," *Independence Issue Paper* No. 8-93, March 24, 1993, Independence Institute.

**Where Do These People Come From?** The founder of Earth First! predicts: "An ice age is coming and I welcome it as much-needed change. I can see no solution to our ruination of Earth except for a drastic reduction of the human population." And David Graber of the National Park Service says, "Until such time as *Homo sapiens* should decide to rejoin nature, some of us can only hope for the right virus to come along." "Self-Styled Environmentalists Out of Touch with the American People," *Talking Points on the Economy*, April 7, 1993, The National Center for Public Policy Research.

**Don't Exempt Municipalities from Superfund.** About 19 percent of all sites on the EPA's "National Priorities List" are municipal landfills. Unwilling to bear the cleanup burden, municipalities across the country are pushing for a special exemption from the federal Superfund law. *Strange bedfellows:* Environmentalists support the exemption for municipalities, because they fear municipalities might otherwise team up with business to support a revision of the Superfund law. David B. Kopel, "Cities Should Do Their Part in Superfund Cleanup," *Superfund Reform Report* No. 1, January 25, 1993, Independence Institute.

## FAMILY

**Public Policies to Help Children.** North Carolina Governor Jim Hunt wants to make 1993 the "Year of the Child" — a noble goal, and one that

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well-chosen public policies can make possible. *Wrong approach:* spending money on ineffective programs, taxing parents, and over-regulating day care. *Right approach:* Reducing welfare dependency among families; authorizing educational choice; expanding tax credits for child care. John Hood and Erica Gum, "A Real Children's Agenda," *Carolina Journal*, April/May 1993, The John Locke Foundation.

**Fathers Key to U.S. Domestic Policy.** On any given night, 33 percent of all children in the U.S. go to sleep in homes where their fathers don't live. Between 45 and 60 percent of all children will spend a significant portion of their lives before the age of 18 without their fathers. Teenage pregnancy, juvenile delinquency, domestic violence against women and abuse of children, and poverty are inextricably linked to the breakup of the mother-father-children family. David Blankenhorn, *Fatherless America*, April 1993, Center of the American Experiment.

## GOVERNMENT

**Term Limits Big Winner in 1992.** While Bill Clinton won only a 43 percent plurality for president in the 1992 elections, term limits referenda passed *in all 14 states* where they were on the ballot, with an average of 66 percent of voters in favor. Term limits won more votes in 14 states than Ross Perot won in 50 states. John Hood and Peter Hans, "Political Culture Shock: Term Limits and Reform in North Carolina," *Policy Report* Number 6, April 1993, John Locke Foundation.

**How Federalism Can Inspire Tyranny.** By allowing, and even encouraging, the dramatic expansion of local government power, *federalism* has made possible significant abuses of personal liberty. *A warning:* "[A]s local government has grown into a leviathan, the threat to our freedoms is increasingly close to home." Clint Bolick, *Grassroots Tyranny: The Limits of Federalism* (Washington, DC: Cato Institute, 1993).

## Health Care

# Unemployed and Uninsured

By Eric Banfield

CHICAGO, ILLINOIS — I lost my job — and my access to affordable health insurance — in late 1991. What's wrong with the health insurance industry, anyway?

Unemployment gives one time to ponder such questions. The answer, I am convinced, lies not in the insurance industry at all, but in government's incessant tinkering with it.

Probably the most counterproductive tinkering is the federal government's tax treatment of health insurance premiums. The tax laws encourage employers to provide their employees with insurance rather than wages, since the employer doesn't pay FICA taxes on insurance premiums. Employees demand low-deductible, low-copayment policies, since whatever is not covered by insurance must be paid with after-tax earned income.

Relying on insurance to cover even small, routine expenses encourages over-use of health care by tens of millions of people. The overuse of health care is almost entirely for small, routine claims: an unnecessary doctor's appointment here, a prescription there. The cost of processing these small claims is very high relative to the amount being paid to the care provider. It costs as much as $50 to process a $50 claim!

The National Center for Policy Analysis estimates that $44 billion a year could be saved in administrative costs if small charges were paid directly by patients rather than by insurers. Experts predict that raising the average deductible from $200 to $1,000 would lower annual health care spending by $147 billion *without* adversely affecting our health.

To offset the sting of higher deductibles, tax policy should be changed to allow people to open Medical Savings Accounts (MSAs). Contributions into the account would be tax deductible; spending from the account would be permitted only for health care. Individuals with MSAs could shift to low-premium, high-deductible health insurance policies, paying small bills from their MSA.

> America's health care crisis is a result of government's incessant tinkering.

The benefits of such a simple reform would be far-reaching. Consumers would spend more wisely, assessing their health care needs more carefully and checking prices. They would file fewer small claims, lowering administrative costs. They'd stop patronizing high-cost, inefficient providers. When people lost their jobs, they wouldn't lose their access to health care: They could pay medical bills or buy insurance from their MSAs.

It's funny how being unemployed made it easier for me to see how America's health care system needs to be reformed. I hope the reader does not have to take the same route to understanding!

# # #

*Eric Banfield is a health care policy analyst for The Heartland Institute.*

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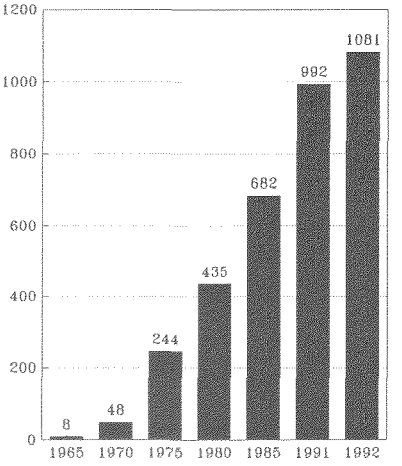
**Voters Prefer Term Limits.** In a national survey conducted in May 1993, *75.6 percent* of respondents reported favoring term limits on Senators and Congressmen. Support was nearly as strong among Democrats and Independents as Republicans (74.9 percent, 75.6 percent, and 79.0 percent, respectively). Campaign finance reform — particularly if it includes a provision for taxpayer financing of campaigns — received lower marks. In fact, 46.8 percent of respondents *opposed* such legislation. Survey conducted for U.S. Term Limits by Fabrizio, McLaughlin & Associates, Inc., 801 North Fairfax Street #312, Alexandria, VA 22314; phone 703/684-4510.

**America's Biggest Business.** Federal, state, and local taxes are greater than the revenues of any other industry in the U.S. The number of government workers — 18.6 million — has surpassed the number in the U.S. manufacturing sector for the first time in history. "If this keeps up, pretty soon we'll have more people redistributing wealth than creating things!" *Reader's Digest*, July 1993, adapted from Stephen Moore, "Government: America's No. 1 Growth Industry," Institute for Policy Innovation.

**Holding Congress to Its Own Mandates.** Congress often exempts itself from laws governing civil rights, employment discrimination, sexual harassment, workplace safety, and public access to information. The proposed *Equity for Congress Act* would address this "holier-than-thou" attitude by (a) requiring Congress to obey several laws it currently imposes on others and (b) requiring a three-fifths majority vote before either house can exempt Congress from future laws of general applicability. Robert Turner, "Analysis of the Equity for Congress Act," *Essays on Our Times* Number 25, July 1993, Free Congress Foundation.

**Taxpayers Reject $1 Campaign Finance Checkoff.** Since 1976, every presidential election has been partly financed with public funds raised through the $1 checkoff box on federal income tax forms. According to the IRS, the percentage of tax forms on which the box was checked has fallen dramatically, from a high of 28 percent in 1980 to less than 18 percent in 1992. As a result, the Presidential Election Campaign Fund predicts a $75 million to $100 million shortfall in funding for the 1996 election. "Taxpayers say no to $1 election fund box," *Chicago Tribune*, April 16, 1993.

Mandated Health Insurance Benefits Enacted by State Governments




Source: Greg Scandlen, Health Benefits Letter, in Nat'l Center for Policy Analysis, November 1992.

**Unions Back Liberal Politics.** According to the Center for Responsive Politics, union PACs spent $43 million in 1992, with 94 percent going to Democrat candidates. Four of the top five public-sector union PACs together gave over $7 million, 95 percent to Democrats. "Public Sector Union PACs Favor Democrats," *The Government Union Critique*, July 2, 1993. Contact Public Service Research Foundation, 1761 Business Center Drive #230, Reston, VA 22090; phone 703/438-3966.

**The Trouble with National Service.** The Clinton Administration's national service proposal — which would pay students two years' tuition for one year's service — will create a huge bureaucracy and cost billions of dollars. Moreover, national service creates (reinforces?) the dangerous belief that students are *entitled* to a college education at taxpayers' expense. Doug Bandow, "National Service: Utopias Revisited," *Policy Analysis* No. 190, March 15, 1993, Cato Institute.

**Our Dangerous Obsession with Government.** "Obsession with government . . . has flourished to the point where talk about government policy is choking off and squeezing out all other kinds of thinking about how to solve problems — even about what constitutes a problem." It is time that liberals, conservatives, and libertarians acknowledge that government long ago reached the limit of what it could (or should!) do to address the problems of the world. Jonathan Rauch, "Caesar's Ghost," *Reason*, May 1993, Reason Foundation.

**Government Spending Has High Cost.** State and local government spending per capita (adjusted for inflation and population growth) rose 29.1 percent during the 1980s. By contrast, the country's wealth — its per-capita gross domestic product — grew just 17.8 percent during that period. Noel R. Card, "America's Protected Class Cost Nation $280 Billion in Economic Growth in 1990," *FYI*, June 16, 1993, American Legislative Exchange Council.

## HEALTH

**Health Care Reform Must Address Medicaid.** Rapidly increasing costs in the federal-state Medicaid program make it a key target for health care reform. In 1988, Medicaid served 23 million people at a total cost of $54.7 billion. By 1992, the program reached 31 million people (an increase of 35 percent) at a cost of $127 billion (an increase of 132 percent). David Dunn, "Medicaid Vouchers: An Idea Whose Time Has Come," *Report*, June 1993, Resource Institute of Oklahoma.

**The Miracle of Pharmaceutical Drugs.** "A small investment in a modern drug can ensure the success of much larger investments in surgery or therapy. And in many cases, the right drug can render these other approaches medically unnecessary . . . Rather than deny this second miracle of medical technology, we should be studying ways to *encourage* the discovery and sale of new and more effective drugs." John North, "Denying the Second Miracle," *A Heartland Perspective*, June 11, 1993, The Heartland Institute.

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**Nobel Laureate Outlines Health Care Reform.** Milton Friedman, awarded the 1976 Nobel Prize for economics, offers a two-pronged approach to remedy "the inefficiency, high cost, and inequitable character of our medical system." *First*, replace Medicare and Medicaid with a requirement that every U.S. family have a high-deductible major medical insurance policy. *Second*, eliminate the tax exemption for employer-provided health insurance. Milton Friedman, *Input and Output in Medical Care*, 1992. Contact the Hoover Institution, Stanford University, California.

**The Cost of Canadian Health Care.** On May 20, Los Angeles air travelers were delayed 56 minutes while President Clinton had his hair cut. Delays many times worse can be expected if the President's wife pushes the country to adopt a Canadian-style health care system. In Manitoba, for example, the average wait for hip replacement and repair surgery was 10,548 Clinton haircuts. In Quebec, the average wait for "elective" coronary bypass surgery was 8,874 Clinton hair cuts. "Be Prepared for 'Hair Cut' Health Care," 1993, The National Center for Public Policy Research.

**Health Care Reform Information Package Available.** The Council for Affordable Health Insurance has compiled a useful package of one-page flyers and longer papers addressing such topics as managed competition, community rating, guaranteed issue, medical savings accounts, and federal tax equity. Contact the Council for Affordable Health Insurance, 1101 King Street #601, Alexandria, VA 22314; phone 703/838-9268.

**Certificate of Need Programs Misguided.** Programs aimed at encouraging hospital consolidation to reduce duplication of services have done little to slow health care cost increases. In fact, by restricting competition and preventing investments in technologies that improve efficiency, such certificate of need (CON) programs actually raise hospital operating costs. Terree Wasley, "Certificates of Need: Poor Health Care Policy," *Viewpoint on Public Issues*, June 7, 1993, Mackinac Center for Public Policy.

## HOUSING

**The Discriminatory Intent of Rent Control.** Rent control laws in New York City, Berkeley, and other communities deny landlords equality before the law. "Illegal tenant activity, biased judges, hostile administrators, political opportunism, negative public opinion, and mob action against landlords . . . have turned rent control into a national travesty." Scott Gardner, "Rent Control and the Penultimate Solution," *The Freeman*, June 1993, Foundation for Economic Education.

## LAW

**Gun Control Won't Save Kids.** "Do it for the kids" is the most recent rallying cry of gun control advocates who prefer emotional rhetoric to careful thought. In fact, however, gun control makes gun accidents more likely, turns criminals into role models for kids, and discourages efforts to address the *real* causes of teen violence. David Kopel, "Gun Play," *Reason*, July 1993, Reason Foundation.

**"Assault Weapons" Demystified.** Attempts to ban assault weapons are "the crime-busting politicians' equivalent of the political correctness vogue among leftist academics — a soothing substitute for real distinctions and hard decisions." The authors dispose of five key questions about proposed assault weapon bans, including: *What will the ban accomplish?* and *What harm would a ban do, even if it doesn't help?* Eric Morgan and David Kopel, "The 'Assault Weapon' Panic," *Independence Issue Paper* No. 10-93, April 10, 1993, Independence Institute.

## PRIVATIZATION

**Savas Recognized for Privatization Achievements.** Professor E.S. Savas of Baruch College, City University of New York, was recently awarded the 1993 Public-Private Partnership Leadership Award for his pioneering work in the privatization of public services. Savas has written scores of articles and five books, including *Privatization: The Key to Better Government* (1987). The award was presented in May by The National Council for Public-Private Partnerships, Washington, DC.

**Privatization Sweeps the Planet!** The sale of the largest government-owned corporation in **Argentina**, an oil company, is expected to raise as much as $2.5 billion, over half of which will go to reduce the country's national debt. The government of **Greece** expects to raise $34.5 million as it sells 35 percent of the shares in its largest food company. And **France** will put up for sale 21 of the nation's largest state-owned companies. "Privatization Notes," *The Government Union Critique*, June 18, 1993. Contact the Public Service Research Foundation, 1761 Business Center Drive #230, Reston, VA 22090; phone 703/438-3966.

**International Port Privatization Offers Lessons for U.S.** Argentina, Hong Kong, Mexico, Singapore, and Venezuela are among the 36 countries around the world whose governments are privatizing some or all of their major shipping ports. By contrast, all major U.S. ports are owned by the government; most are operated by government agencies; and many are losing money. David Haarmeyer and Peter Yorke, "Port Privatization: An International Perspective," *Policy Study* No. 156, April 1993, Reason Foundation.

**Debunking Privatization Myths.** Critics of privatization complain of the potential for corruption; point to inefficiency in the private sector; suggest that privatization will increase unemployment and raise welfare costs; argue that privatization theory doesn't mesh with reality; warn that the profit motive won't work in service industries; and counter that successful privatization efforts "elsewhere" won't work "here." All six arguments are easily addressed by thoughtful analysis. Michael Mills, "What's *Not* Wrong With Privatization" (first article in a series of three), *Michigan Privatiza-*

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*tion Report*, April 1993, Mackinac Center for Public Policy.

**Time to Privatize New York.** "New York . . . does not have to choose between raising taxes or cutting services. There is a third way and that is to increase productivity — to give citizens more for their tax dollars. As numerous cities have demonstrated, prudent privatization creates competition, which is the key to unlocking the productivity potential of both the public and private sectors." E.S. Savas, "It's Time to Privatize," *Government Union Review*, Winter 1993. Contact the Public Service Research Foundation, 1761 Business Center Drive #230, Reston, VA 22090.

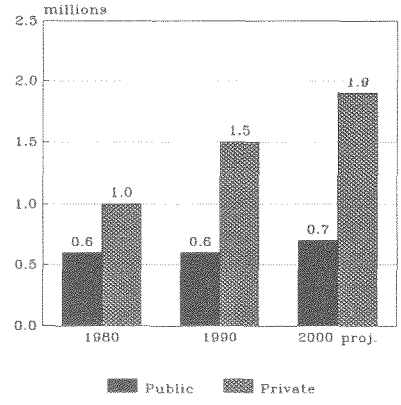
**Privatizing L.A. Airport Would Net Billions.** Leasing Los Angeles International Airport to a private operator for 30 years would net revenues of several hundred million dollars a year for the city. The Reason Foundation estimates a 30-year lease would generate some $3.7 billion for the city, based on annual lease payments ranging from $159 million in the first year to over $800 million in later years. Better still, "it is legal *today* for the City to lease LAX and use the revenues for its general fund." Robert W. Poole, Jr. and Bryan E. Snyder, "Privatizing Los Angeles International Airport: Analyzing the Alternatives," *Policy Study* No. 143, April 1993, Reason Foundation.

**Privatization Recommended for NYC Hospitals.** Six of the eleven hospitals owned and operated by New York City's Health and Hospitals Corporation, a government agency, are strong candidates for privatization. Such a move could save the city between $250 and $400 million, and care for the city's low-income patients would likely improve as a result. William B. Eimicke and Anne Lenhard Reisinger, "Privatizing HHC," *City Journal*, Spring 1993, Manhattan Institute.

**Private Guards, Public Security.** City business districts, private residential communities, public housing projects, and even entire towns are hiring private security guards to supplement or replace government police officers. *By the numbers:* Private security guards already outnumber public law enforcement officers 3 to 1. Spending on private security — $52 billion in 1990 — is almost twice the amount raised by taxes for public law enforcement. Milo Geyelin, "Hired Guards Assume More Police Duties as Privatization of Public Safety Spreads," *The Wall Street Journal*, June 1, 1993.

**Worldwide Privatization Report Released.** The Reason Foundation has released its seventh annual compilation of privatization efforts worldwide and across the United States. "During 1992, more than $69 billion in state-owned firms were sold or transferred to private investors worldwide, bringing the total value of privatization in the last ten years to about $328 billion." *Privatization 1993*, April 1993, Reason Foundation.

Private Security Guards and Public Law Enforcement Officers




Source: Hallcrest Report II, cited by the Wall Street Journal, June 1, 1993.

# REGULATION

**Coal Industry Decline A Product of Government.** While the decline of America's industrial sector has many causes — competition from abroad, scarcity of natural resources, products lacking demand — the Illinois coal industry is not suffering at the hands of market forces. Rather, "the decline of the coal industry in Illinois was inevitable only because the industry was touched by politicians, EPA bureaucrats, and lawyers." Michael Finch, "The Rise and Fall of Illinois Coal," *A Heartland Perspective*, May 28, 1993, The Heartland Institute.

**AARP Pushes Costly Agenda.** The American Association of Retired Persons — with 34 million members, long regarded as one of the most powerful lobbies on Capitol Hill — supports an agenda that would increase federal spending by some $1 trillion a year over the next decade. AARP's 400-page legislative agenda includes over 100 tax and spending hike proposals. "AARP Agenda Costs $1 Trillion +," *Capital Ideas*, June 1993, National Taxpayers Union Foundation.

**Taxicab Regulation Hurts Denver's Economy.** The Colorado Public Utilities Commission has denied all requests to start new taxicab companies in Denver *for the past 46 years*. Such tightly restricted entry lowers employment and entrepreneurial opportunities, particularly hurting the poor and minorities in Denver. Dwight Filley, "Taken for a Ride: How the Taxi Cartel and the State Are Disserving Denver's Economy," *Independence Issue Paper* No. 6-93, April 14, 1993, Independence Institute.

# TAXES

**New Jersey Taxes Scare Away Jobs.** In June 1990, New Jersey legislators doubled the state's income tax rate — chasing population and business out of the state. *By the numbers*: Private-sector employment has fallen by 9 percent during the two years since the tax increase was passed — a loss of 308,000 jobs. Income tax receipts fell $1 billion short of projections. By July 1992, New Jersey was tied with Alaska for the second highest unemployment rate in the nation, behind only West Virginia. Alan Reynolds, "New Jersey's Suicidal Tax Policies," *Economic Perspective*, January 22, 1993, New Jersey Citizens for a Sound Economy Foundation.

**State Tax and Spending Limits Evaluated.** Voters in Washington State may have an opportunity soon to vote on two initiatives designed to

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## Research Report

limit state expenditures (Initiative 601) and revenues (Initiative 602). Key provisions of the initiatives are explained and their fiscal impact estimated in this report — a useful model for the analysis of similar proposals in other states. "Takin' It to the Limit: A Preliminary Assessment of the Impacts of Initiatives 601 and 602," *Special Report*, June 9, 1993, Washington Research Council.

**Taxpayer's Action Day 1993 Scheduled.** On October 16, 1993, tens of thousands of Americans will gather at rallies nationwide for the fourth annual Taxpayer's Action Day, sponsored by the Council for Citizens Against Government Waste. Contact Karen Kerrigan, National Field Director, Council for Citizens Against Government Waste, 1301 Connecticut Avenue NW #400, Washington, DC 20036; phone 202/467-5300.

## TRADE

**NAFTA Facts.** (1) The typical Mexican citizen spends $340 each year on U.S. products — more than the typical European ($284) and nearly as much as the average Japanese ($400), who has ten times the income. (2) Trade with Mexico in 1991 created more than 10,000 jobs in New Jersey's five leading industrial export sectors alone. (3) Export-related jobs pay an average of 17 percent more than the average U.S. wage. "Facts About NAFTA," *New Jersey CSE Reports*, Spring 1993, New Jersey Citizens for a Sound Economy.

Today's $4 trillion Federal debt is four times larger than it was in 1980. The debt now equals 67 percent of GDP — twice the "bite" it took in 1980.

**NAFTA Conference Scheduled for Denver.** The U.S. Small Business Administration will host the "Rocky Mountain Trade Corridor" conference, scheduled for September 8-10, 1993 in Denver, Colorado. The conference will be attended by delegations from Canada, Mexico, and the U.S. For more information, contact Kathy Parker at 202/205-6720 or Dennis Chrisbaum at 303/294-7072.

## Ideas

# The Undeniability of Common Sense

By George Roche

HILLSDALE, MICHIGAN — There are times when we just can't avoid the obvious, tangible reality of common sense. Oh, we try. We work very hard at convincing ourselves that what is patently, simply true must surely be more complex, indirect, and subtle.

As a college president, it's painful for me to admit that the urge to complicate the obvious is particularly strong among academics. A recent issue of the Institute for American Values' journal, *Family Affairs*, contains a perfect illustration. In it, a Cornell University professor spells out some simple truths about the needs of children and the effects of family relationships. But he does it in language that is especially convoluted, even by academic standards.

"In order to develop — intellectually, emotionally, socially, and morally," the professor writes, "a child requires participation in progressively more complex reciprocal activity, on a regular basis, over an extended period in the child's life, with one or more persons with whom the child develops a strong, mutual, irrational emotional attachment and who is committed to the child's well-being and development, preferably for life."

In other words, children need parents — preferably two of them — who are willing to spend time with their kids, to teach them and help them grow.

Now, there's an insight! I guess the breakdown in American family life has reached such a point that the needs of children have become clear even to educators (and, of course, I speak as an educator myself).

In other areas as well, common sense is simply running wild, despite our best efforts to subdue it. In Detroit, three public schools have been established as all-male academies. They attempt to meet the needs of boys in a time when divorce and abandonment have deprived all too many sons of male role models and manly discipline.

As expected, there have been loud protests about sexual discrimination and educational backwardness. But there has also been an outpouring of enthusiasm for the experiment. Applications were submitted for some 1,200 students, twice the number of spots available in the new schools. It is a testament to common sense about the needs of young boys.

> Deny it as we might, common sense — heartland values — will be heard.

Is it possible we are witnessing a sea change in public attitudes, that we have seen the high-water mark in self-deception about certain timeless truths of human nature? We shouldn't be overly optimistic, but there are some positive signs.

Deny it as we might, common sense (or as I would put it, *heartland values*) will be heard. It's positively unavoidable. And these days, it seems to be breaking out all over.

We may yet be hopeful.

# # #

*George Roche is president of Hillsdale College.*

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**NAFTA and the Environment.** Although the North American Free Trade Agreement is unprecedented in its provisions to protect the environment, green activists want more. Environmentalists wrongly assume that economic growth is incompatible with an "Earth-friendly society." Roberto Salinas-Leon, "Green Herrings: NAFTA and the Environment," *Regulation*, Winter 1993, Cato Institute.

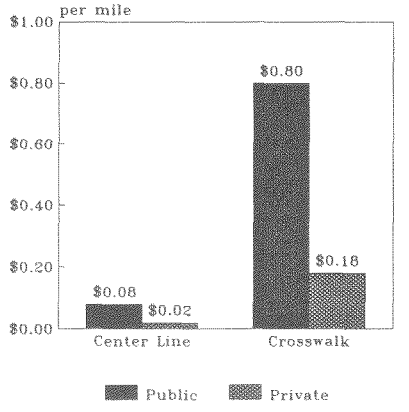
**Side Agreements May Endanger NAFTA.** To placate opponents in the U.S., the Clinton Administration is pressuring Mexico and Canada to accept side agreements completely contrary to the original free trade intent of NAFTA. "What started out as a time-honored good idea — free trade — is now mutating into a regulatory monster. . . . Unless the President reverses himself, the prospect of free trade from the Yukon to the Yucatan will evaporate before our eyes." James M. Sheehan, "The Looming Threat to NAFTA," *Viewpoint on Public Issues*, July 5, 1993, Mackinac Center for Public Policy.

# TRANSPORTATION

**The Benefits of Deregulation.** Deregulation of the *railroad industry* has saved shippers between $3.5 billion and $5 billion a year since passage of the Staggers Rail Act of 1980. Since *interstate trucking* was deregulated, also in 1980, the total number of trucking industry jobs has increased by about 30 percent, and the fatal accident rate per 100 million vehicle miles fell 40 percent. And since the *airline industry* was deregulated in the late 1970s, fares are 18 percent lower than they would have been, and accident rates have fallen by 48 percent. Melinda Warren, "Government Regulation and American Business," December 1992, Center for the Study of American Business. Summarized by John Semmens in *Document Review*, April 1993, Arizona Department of Transportation.

**Consider Costs of Transportation Tax Plan.** Washington Governor Mike Lowry has proposed $937 million in tax and fee increases over the next two years to pay for a broad range of transportation initiatives. But the taxes he proposes — a 12-cents per gallon gas tax increase, extending the state's 6.5 percent sales tax to all motor fuels, and increases in truck license fees — are likely to do more harm than good. "Governor's Transportation Plan: The Cost Factor," *Policy Brief*, April 13, 1993, Washington Research Council.

Line Painting Cost Comparison
12 Massachusetts Communities




Source: Factor Management, cited in Privatization Watch, July 1993, Reason Foundation.

**The Promise of Congestion Pricing.** Varying roadway tolls depending on the time of day has great potential not only to reduce tollway congestion, but also to increase highway revenues and reduce infrastructure needs. Congestion pricing "can bring about dramatic reductions in the severity of congestion . . . It also raises money instead of spending it, creating the opportunity to ease fiscal constraints on federal, state, and local governments while providing large and tangible benefits." Kenneth A. Small, "Urban Traffic Congestion: A New Approach to the Gordian Knot," *The Brookings Review*, Spring 1993. Contact The Brookings Institution, 1775 Massachusetts Avenue NW, Washington, DC 20036.

**Private Highways, Safer Highways?** By assigning responsibility and liability to highway owners, privatization may be the road to safer highways. Private owners would have strong incentives to reduce congestion, improve road surfaces and signage, and prohibit cars clearly unfit for roadway use. Richard Barbarick, "Government Highways: Unsafe at Any Speed," *The Freeman*, June 1993, Foundation for Economic Education.

# WELFARE

**Welfare Programs Don't Stop Poverty.** "In 1990 it would have cost government $75 billion to bring every family with an income below the poverty level above that benchmark. But after spending $184 billion on government anti-poverty programs, 30 million Americans remained below the poverty level." "Ten Facts on the Growth of Government," April 1993, Institute for Policy Innovation.

**Three Facts About the Growth of Government.** (1) Government employs more than 18 million civilian workers — more people than on the payrolls of all U.S. manufacturers combined. (2) The federal government borrows $1 million per minute *on top of* a $4 trillion debt. (3) The federal government owns 440,000 buildings and occupies 2.8 billion square feet of office and warehouse space. "Ten Facts on the Growth of Government," April 1993, Institute for Policy Innovation.

# OTHER TOPICS

**New Policy Institute Launched.** The Vermont-based **Ethan Allen Institute** "will do battle for principles that made Vermont a success: liberty, property, community, individual initiative and responsibility, and frugality in government." John M. Mitchell, a prominent Vermont industrialist, serves as Chairman of the Board; former Senator John McClaughry is President and CEO. Contact the Ethan Allen Institute at P.O. Box 12, Montpelier, VT 05601; phone 802/695-2555.

**Democracy Requires Free Markets.** The success of democracy depends on the individual's knowledge that his private property rights will be

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## Research Report

respected; that, if he is in the minority, he will not be at the mercy of a majority with the authority to deprive him of his life, liberty, and property. *Ultimate irony:* "Democracy itself, which is so much prized even by outspoken critics of the free market, would be impossible without meeting the preconditions of the marketplace." Tibor R. Machan, "In Defense of Property Rights and Capitalism," *The Freeman*, June 1993, Foundation for Economic Education.

"The superior freedom of the capitalist system, its superior justice, and its superior productivity are not three superiorities, but one. The justice follows from the freedom, and the productivity follows from the freedom and the justice."
**Henry Hazlitt**

**Private Enterprise Offers Path to Prosperity.** "It's an enormous tribute to the private enterprise market that with less than half the resources of the country it can produce the kind of level of living we have. It is an enormous problem for us that with more than half the resources in the country, the government market has produced primarily problems and difficulties. That's our challenge. How do we cut government down to size? Unless we succeed in doing so, we shall not be able to preserve a free society." Milton Friedman, "On the Changing Role of Private and Governmental Markets," *World Capitalism Review*, April 1993. Contact the Institution for World Capitalism, Jacksonville University, 2800 University Boulevard North, Jacksonville, FL 32211-3393.

**Free Markets Have the Moral High Ground.** Idealist promises aside, the *reality* of communism is brutal, inhumane, and immoral. It is time for proponents of the free market to muster their courage and grab the moral high ground to which they are entitled. *Parting thought:* "Free men know what tyrants never learn: That the ultimate economic resource is the mind and energy of a free person." George Roche, "The Road to Freedom," *Imprimis*, July 1993, Hillsdale College.

## Housing

# Cisneros Talks That Talk, But Will He Walk That Walk?

By Michael A. Finch

CHICAGO, ILLINOIS — After his recent tour of public housing in Chicago, U.S. Housing and Urban Development Secretary Henry Cisneros declared that public housing has failed and that vouchers are the solution. "It's very clear the answer is rooted in offering people choices" said Secretary Cisneros.

Last year, Jack Kemp also walked through housing projects and talked about housing vouchers. The media branded him and his ideas as "right-wing" and "conservative." But when Secretary Cisneros, a Democrat and an Hispanic, says the same thing, he is hailed as a visionary.

Using housing vouchers isn't the only "radical" policy recommendation to come in from the cold since the collapse of socialism abroad. A growing number of Democrats now support educational choice. Ultra-liberal economist Lester Thurow has publicly endorsed privatizing the postal service. President Clinton likes enterprise zones. Senator Jay Rockefeller supports a "private and competitive" health care system. Congressman Charles Rangel supports a capital gains tax cut.

The conversion to free-market thinking is by no means complete. Although he talks about vouchers, for example, Secretary Cisneros also talks about rehabilitating existing public housing. But if public housing is the failure he says it is, why should we waste billions of dollars renovating structures that will never be safe or decent housing for families?

Other glaring examples show the Secretary's misunderstanding of free markets. He advocates rent controls on public housing, strict regulation of insurance companies, and no-downpayment FHA loans. He wants the administration to "force" financial institutions to invest in low-income areas. Individually, Secretary Cisneros' proposals will badly skew the market for low-income housing; collectively, his proposals will destroy it.

Most people, even poor people, know better how to run their lives than do government employees. Government welfare programs ought to be designed with that in mind. Empowering people to make their own decisions on where they want to live is a step in that direction, so housing vouchers are a sound policy. The same reasoning leads us to embrace educational choice, privatizing other public services, and repealing countless regulations that prevent job creation and inhibit free enterprise.

> **Many "radical" policy ideas have come in from the cold since socialism's collapse.**

The public policy ideas advanced by The Heartland Institute follow from a common sense understanding of how the world works. We applaud Secretary Cisneros for taking a step in our direction. But we wonder whether he is willing to take the next step, and the step after that. Anyone can talk the talk, but we're still waiting to see if Secretary Cisneros will walk the walk.

# # #

*Michael A. Finch is Illinois Executive Director of The Heartland Institute.*

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# ContactsContactsContactsContactsContactsContactsContactsContacts

Most of the research summarized in the *Research Report* (pages 17-29) can be ordered from the organizations listed below. This list features organizations that conduct and disseminate market-oriented research and commentary on state and local public policy issues.

**Alabama Family Alliance**, P.O. Box 59692, Birmingham, AL 35259, 205/870-9900

**American Studies Institute**, Harding University, Station A, Box 899, Searcy, AR 72143, 800/477-4407, (fax) 501/279-4600

**American Legislative Exchange Council** , 214 Massachusetts Avenue NE #400, Washington, DC 20002, 202/547-4646, (fax) 202/547-8142

**Andrew Jackson Institute**, 2704 Twelfth Avenue South, Nashville, TN 37204, 615/383-8284

**Arizona Institute**, 2700 South Woodlands Boulevard, Suites 300-329, Flagstaff, AZ 86001, 602/526-2597

**Atlantic Legal Foundation**, 205 East 42nd Street - 9th Floor, New York, NY 10017, 212/573-1960

**The Atlas Economic Research Foundation**, 4084 University Drive #103, Fairfax, VA 22030-6812, 703/934-6969, (fax) 703/352-7530

**The Barry Goldwater Institute for Public Policy Research**, 201 North Central, Phoenix, AZ 85004, 602/256-7018

**California Public Policy Foundation**, 14263 Moorpark #4, Sherman Oaks, CA 91423, 818/841-5210

**Capital Research Center**, 727 15th Street NW - 8th Floor, Washington, DC 20005-1599, 202/737-5677, (fax) 202/737-5692

**Capitol Resource Institute**, 1211 H Street #A, Sacramento, CA 95814-1912, 916/731-5200

**Cascade Policy Institute**, 813 SW Alder Street #707, Portland, OR 97205, 503/242-0900, (fax) 503/242-3822

**Cato Institute**, 224 Second Street SE, Washington, DC 20003, 202/546-0728, (fax) 202/546-0728

**Center for Independent Thought**, 942 Howard Street, San Francisco, CA 94103, 415/541-9780

**The Center for Individual Rights**, 2300 North Street NW - 6th Floor, Washington, DC 20037, 202/663-9041 or -9042

**Center for the New West**, 600 World Trade Center, 1625 Broadway, Denver, CO 80202, 303/572-5400

**Center for the Study of American Business**, Washington University - Box 1208, St. Louis, MO 63130-4899, 314/935-5630

**Center for the Study of Market Alternatives**, 2285 University Drive, Boise, ID 83706, 208/368-7811

**Center of the American Experiment**, 45 South 7th Street, Minneapolis, MN 55402, 612/338-3605, (fax) 612/338-3621

**Citizens Against Government Waste**, 1301 Connecticut NW #400, Washington, DC 20036, 202/467-5300

**Citizens for a Sound Economy** , 1250 H Street NW #700, Washington, DC 20005-3908, 202/783-3870, (fax) 202/783-4687

**Citizens for Educational Choice**, P.O. Box 405, Needham Heights, MA 02194, 617/444-7545

**Citizens for the Environment**, 1250 H Street NW #700, Washington, DC 20005-3908, 202/783-3870

**The Claremont Institute**, 4650 Arrow Highway #D-6, Montclair, CA 91763, 714/621-6825

**The Commonwealth Foundation for Public Policy Alternatives**, 600 North Second Street #300, Harrisburg, PA 17101, 717/231-4850

**Competitive Enterprise Institute**, 1001 Connecticut Avenue NW #1250, Washington, DC 20036, 202/331-1010, (fax) 202/331-0640

**Congressional Institute, Inc.**, 316 Pennsylvania Avenue SE #403, Washington, DC 20003-1147, 202/547-4600

**Consumer Alert**, 2700 South Quincy Street #210, Arlington, VA 22206, 703/845-8802, (fax) 703/845-8920

**Consumer Alert**, P.O. Box 3348, Modesto, CA 95353, 209/524-1738

**Consumers Research, Inc.**, 800 Maryland Avenue NE, Washington, DC 20002, 202/546-1713

**The Educational Excellence Network**, 1112 Sixteenth NW #500, Washington, DC 20036, 202/785-2985

**Educational Freedom Foundation**, 110 East Rose, St. Louis, MO 63119

**The Empire Foundation for Policy Research**, 130 Washington Avenue #1000, Albany, NY 12210, 518/432-4444

**Ethan Allen Institute**, P.O. Box 12, Montpelier, VT 05601, 802/695-2555

**Evergreen Freedom Foundation**, P.O. Box 552, Olympia, WA 98507, 206/956-3482

**Family Research Council**, 700 Thirteenth Street NW #500, Washington, DC 20005, 202/393-2100

**The Foundation for Economic Education**, Irvington-on-Hudson, NY 10533, 914/591-7230

**Foundation for Research on Economics and the Environment (F.R.E.E.)**, 502 South 19th #1, Bozeman, MT 59715, 406/585-1776

**The Free Congress Research and Education Foundation**, 717 Second Street NE, Washington, DC 20002, 202/546-3000

**Free Market Foundation**, P.O. Box 741777, Dallas, TX 75374-1777, 214/348-2801

**Georgia Public Policy Foundation**, 2900 Chablee-Tucker Road - Building 6, Atlanta, GA 30341, 404/455-7600

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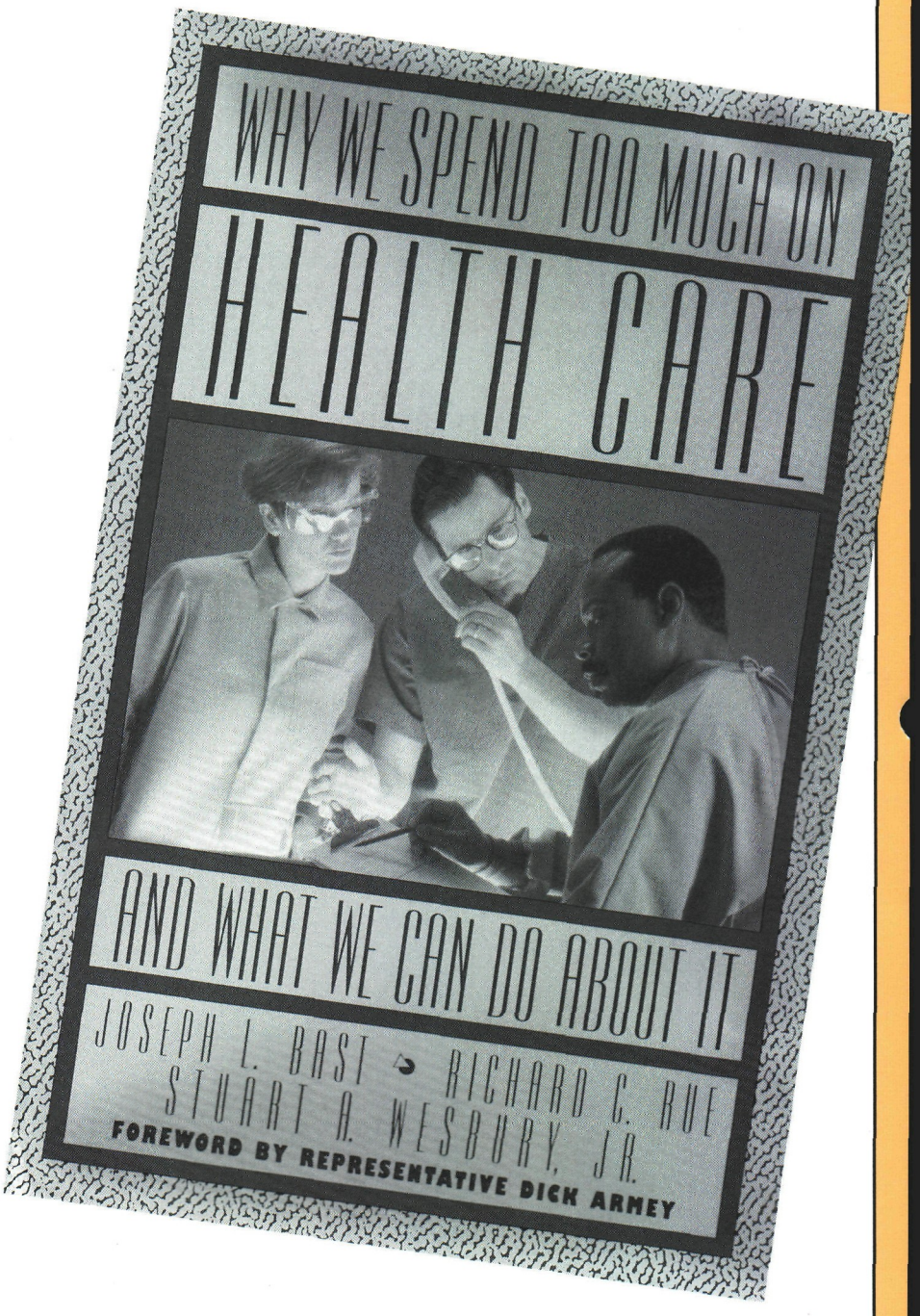
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